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**MONDAY SPORTS**  
SENNA WINS MONACO  
See Page 16

ESTABLISHED 1887

Algeria	6.00 Dhs.	Yugoslavia	115.00 Dhs.	1,000 Bks.
Australia	22.50 A\$	West Germany	1.00 DM	100 Bks.
Belgium	0.0001 Dhs.	Yugoslavia	115.00 Dhs.	1,000 Bks.
Canada	0.0001 Dhs.	Yugoslavia	115.00 Dhs.	1,000 Bks.
France	6.00 Ffs.	Yugoslavia	115.00 Dhs.	1,000 Bks.
Germany	1.00 DM	Yugoslavia	115.00 Dhs.	1,000 Bks.
Italy	1,000 Liras	Yugoslavia	115.00 Dhs.	1,000 Bks.
Japan	100.00 Yens	Yugoslavia	115.00 Dhs.	1,000 Bks.
Spain	166.67 Ptas.	Yugoslavia	115.00 Dhs.	1,000 Bks.
Sweden	4.66 Sks.	Yugoslavia	115.00 Dhs.	1,000 Bks.
Switzerland	1.00 Sfrs.	Yugoslavia	115.00 Dhs.	1,000 Bks.
U.K.	1.00 Pounds	Yugoslavia	115.00 Dhs.	1,000 Bks.
U.S.	1.00 Dollars	Yugoslavia	115.00 Dhs.	1,000 Bks.
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**Turnout Is Heavy as Panama Picks a New President**  
During a heavy turnout Sunday in Panama's presidential elections, soldiers in Panama City lined up to vote along with civilians. There were complaints of late opening of polling stations, shortage of ballots and multiple voting by members of General Manuel Antonio Noriega's National Defense Forces. A U.S. observer called the election process "incredibly bad" but another said the main problem was the large number of people waiting to vote. Final results were expected Monday.

## East-Bloc Flux Deepens Debate in West

By Don Oberdorfer  
*Washington Post Service*  
WASHINGTON—Secretary of State James A. Baker 3d goes to Moscow this week at a time of deepening debate about the meaning and consequences of the drastic changes that have been taking place in the Soviet Union and its East European empire.  
As it begins its first exercise in full-scale diplomacy between the two nuclear superpowers, the Bush administration is being challenged by America's allies in Western Europe to enunciate a new vision for the West and to forge new policies to deal with shifting international relationships, East and West.  
So far, Washington has reacted with great caution to the opportunities created by the Soviet leader, Mikhail S. Gorbachev. It is pursuing a still-incomplete foreign policy review and is digging in its heels in a dispute with West Germany over the future of U.S. short-range nuclear missiles on German soil.  
Yet outside of government, prominent former senior U.S. officials and other experts on foreign policy share a more adventurous perspective. In recent interviews, nearly all said that the vast changes under way in the world are bringing an end to the post-World War II era in the relations among nations.  
"We are quite literally in the early phases of what might be called the post-Communist period," said Zbigniew Brzezinski, who was national security adviser in the Carter administration. "This is a massive, monumental transformation. Communism shaped much of this century. And now it is coming to an end."  
Henry A. Kissinger, secretary of state in the Nixon and Ford administrations, said: "This is an unusually pregnant period. International factors have rarely been so fluid. The one thing that cannot occur is a continuation of the status quo. It will either disintegrate under the pressure of events or it will be reshaped by a constructive American policy."  
"We are entering a new era," said Cyrus R. Vance, secretary of state in the Carter administration. "We've started into a period of really major changes, and they will continue. There are a large number of opportunities, more than I can think of at any other time. There are also some dangers. We must continue to remain strong — militarily, economically, politically. We must act with prudence."

## Arafat Rejects Iran's Call for Terrorism

By Edward Cody  
*Washington Post Service*  
PARIS — Yasser Arafat, the chairman of the Palestine Liberation Organization, rejected on Sunday Iran's call to Palestinians to assassinate Westerners and hijack aircraft to combat Israeli repression in Gaza and the West Bank.  
The dismissal from Mr. Arafat came in a conversation with reporters in Tunis after a meeting with Dr. Hishshi Nakasse, director-general of the World Health Organization. It constituted the first high-level PLO reaction since the Iranian parliamentary speaker, Hashemi Rafsanjani, urged Palestinians on Friday to kill American, French and British citizens because their countries support Israel.  
"I reject this plea in its entirety," Mr. Arafat said, according to reports from Tunis, where the PLO has its headquarters.  
On Friday, Mr. Rafsanjani said: "It is retaliation for every Palestinian martyred in Palestine they will kill and execute, not inside Palestine, five Americans or Britons or Frenchmen." The Israelis would not continue to do these wrongs," he also urged Palestinians to hijack airplanes.  
The statement brought immediate condemnation from Washington, London and Paris.  
Mr. Arafat's stand was considered important against the backdrop of his campaign to win Western backing, particularly in the United States, for an international peace conference in which both Israel and the PLO would participate.  
Washington and the major West-

## U.S. Troop Pullout Foreseen

**Aspin Suggests Link to Bonn's Stance on Arms**

By George C. Wilson  
*Washington Post Service*  
WASHINGTON — The chairman of the House Armed Services Committee, Les Aspin, said Sunday that the United States, "not this year, but down the line," might pull its troops from West Germany if Bonn refused to allow short-range nuclear weapons to be based on its soil.  
On the same ABC program, Defense Secretary Dick Cheney said that the unification of East and West Germany would be the "natural outcome of our policies." The Bush administration, he said, would like to see the Berlin wall "come down."  
Both Mr. Aspin and Mr. Cheney spoke of those developments as possible outcomes of the fast-changing East-West relationships, as distinguished from advocating early troop withdrawals or renunciation.  
Mr. Aspin's linkage of short-range nuclear forces in West Germany to U.S. troop presence — "no nukes, no troops" — in the phrase of the Wisconsin Democrat — is part of an emerging theme in Washington. Before the Senate Armed Services Committee last week, Mr. Cheney said it would give him "a stomachache" to keep U.S. troops in West Germany without short-range weapons to offset the numerical superiority of Warsaw Pact forces.  
Mr. Aspin, a former U.S. arms negotiator, Paul H. Nitze, and Representative Lee H. Hamilton, Democrat of Indiana, all called Sunday for President George Bush to become more flexible in dealing with West German demands that the United States negotiate reductions in short-range missiles with the Soviet Union. Mr. Bush has resisted, contending that such negotiations would result in a demand to take all such weapons out of Europe — the "third-zero" option.  
If the administration fails to lean toward West Germany on the issue, Mr. Nitze warned, it will "pull Germany apart and NATO apart."  
Mr. Bush's refusal to negotiate on short-range nuclear missiles is not sustainable, Mr. Hamilton, chairman of the House Foreign Affairs subcommittee on Europe and the Soviet Union, U.S. officials said.  
The findings, based in part on Mr. Hall's cooperation with the authorities, confirm some of the worst fears about a case that officials said began with a tip from an East German official working as a spy for U.S. intelligence.  
The officials said that one program rendered useless cost hundreds of millions of dollars and was designed to exploit a Soviet communications vulnerability uncovered in the late 1970s.  
According to the officials, the Hall inquiry has been significantly widened to include allegations that other U.S. servicemen were enlisted as spies by the same man, an auto mechanic who is charged with overseeing Mr. Hall's activities.  
The mechanic, Huseyin Yildirim, taught auto repair to army personnel at the service's Field Station Berlin, in West Berlin, the post from which Mr. Hall is believed to have done the most damage.  
Investigators are said to suspect that the other servicemen were part of a separate network that Mr. Yildirim organized before Mr. Hall volunteered to spy for East Germany in late 1982.  
The suspicion that a skilled recruiter of spies was playing his trade while on the payroll of Field Station Berlin worries government officials, who called the base one of the most important U.S. listening posts in Europe.  
It is used to test the newest devices for capturing Eastern bloc communications, officials said. About 1,300 service personnel work at the base.  
"We are looking at the potential

**Kiosk**  
**Czechs Mark U.S. War Role**  
VIENNA (Reuters) — About 2,000 people defied a ban and gathered in the town of Pilsen in western Czechoslovakia to commemorate its liberation by U.S. troops in World War II, human rights sources said Sunday in Prague.  
The sources, contacted from Vienna, said the police told the crowd to disperse, saying that the rally was illegal. The demonstrators dispersed peacefully after about an hour and there were no incidents.  
**MONDAY Q&A**  
**Alfred H. Kingston, the U.S. ambassador to the EC, discusses the prospects for 1992.** Page 2.  
Crossword Page 5.



**OUT OF THE SHADOW** — Three weeks after 95 of their fans were crushed to death at Sheffield, England, Liverpool's soccer team won the FA Cup semifinal game. Rob Hughes reports on Page 17.

## In U.S., Food Fears vs. Risk Facts

Paradoxically, Serious Threats Draw Less Concern  
By Michael Specter  
*Washington Post Service*  
WASHINGTON — Battered by an almost daily torrent of worrisome reports about the hazards of what they eat and how they live, Americans have become engulfed in an epidemic, not of cancer but of fear.  
Increasingly, people see grave risks in the most basic elements of their lives: their food, their water, even the air they breathe.  
Eating too much fat has proven to be a risk worth worrying about. But many scientists say an obsessive reliance on bottled water and organic produce is foolish.  
They say that these fears make little sense and that Americans too often overreact to trivial risks while ignoring substantial threats to their health or safety.  
They note that three things cause the vast majority of premature deaths in the United States: alcohol, tobacco and eating too much saturated fat.  
"It worries me greatly, but the facts don't seem to help much," said Surgeon General C. Everett Koop. "People just have an inappropriate sense of what is dangerous. They get overly upset about minor problems."  
Referring to the fears about artificial sweeteners in soft drinks like Fresca, he continued: "If you translate the weight and time it takes a laboratory rat to develop bladder cancer to a 200-pound man drinking Fresca, it comes out to about two bathtubs full each day. People dropped Fresca in a minute, but they continue to smoke."  
The truth is that Americans have never been healthier. Average life expectancy has risen steadily for decades and, except for cancers caused by smoking and exposure to the sun, cancer death rates have dropped or remained relatively stable. There is no cancer epidemic except for lung cancer, which is traced almost entirely to smoking.  
"People just seem to see the apocalypse everywhere they turn," said Bruce Ames, chairman of

## Party Pressures Ito to Succeed Takeshita

By Fred Hiatt  
*Washington Post Service*  
TOKYO — Japan's embattled governing party increased the pressure Sunday on former Foreign Minister Masayoshi Ito to become the next prime minister, resuming a crisis of succession that could profoundly influence Japan's political system and its place in the world.  
Prime Minister Noboru Takeshita, who has said he will soon step down due to his role in the far-reaching Recruit stock-trading scandal, returned Sunday from a nine-day tour of Southeast Asia and said he believed that Mr. Ito, 75, was most respected by the Japanese people.  
Allowing for characteristic Japanese understatement, it was a strong endorsement.  
Another senior power broker in the governing party, Shin Kanemaru, said that Mr. Ito, one of the few leaders of the party untainted by the Recruit scandal, was the most appropriate person to assume Mr. Takeshita's job. Mr. Ito so far has declined, citing health reasons and the need of the country for a younger leader.  
The comments by Mr. Takeshita and Mr. Kanemaru were the opening of what is likely to be an intense campaign this week to persuade Mr. Ito to become prime minister and attempt to reverse the declining fortunes of the Liberal Democratic Party, which has governed Japan since 1955.  
Mr. Ito is viewed as relatively free of the "money-politics" that have become the Liberal Democrats' trademark, but he has expressed dismay that power brokers in the party are attempting to orchestrate the succession even in disgrace.  
Whether Mr. Ito accepts the job and, if so, to what extent he emerges with independent power may help determine whether the scandal marks the beginning of real reform in a system that many believe has been corroded by decades of one-party rule.  
The fact that the next prime minister will be chosen through back-room bargaining, as was Mr. Takeshita, has reinforced feelings among some Japanese that the country is a democracy in name only.  
But the scandal that has tarred virtually every top Liberal Democratic Party leader, leaving no obvious candidate to take power, also has tainted the very system that has governed Japan successfully for so long.  
With public trust at a low ebb and a vacuum of leadership at the top, some analysts have said that the resignation of Mr. Takeshita could signal a process of basic change.  
"Everybody knows something has to change, somehow," said one aide to a member of the Diet, Japan's parliament. "In the next two

## In Activism, Beijing Students Embrace Doctrine

By Nicholas D. Kristof  
*New York Times Service*  
BEIJING — For anyone tempted to think that Chinese students must be fighting for capitalism and multiparty democracy, a banner flitting over People's University marchers was a rude shock.  
It read, "We firmly support the correct leadership of the Communist Party."  
If South Korean university students are at the militant extreme, rejecting the government and battering police lines with firebombs and wooden staves, then Chinese demonstrators are at the peaceful extreme.  
They sometimes go out of their way to say nice things about the Communist Party, and they overwhelm the police as much with courtesy as with force.  
When approaching the police lines, the students try to ingratiate themselves by chanting, "The people love the people's police; the people's police love the people." After some hard pushing, but never any blows, the police usually give way to the students.  
That is when the demonstrators pause to say, "Thank you, police." A few students are assigned to pick up any shoes lost in the shoving and return them to their owners, be they police or protesters.  
Such tactics, which resemble those employed in the Philippine uprising rather than those in South Korea, have been successful so far.  
It has been difficult for the Communist Party to crack down on protesters who politely call on the party to uphold its ideals of honesty and democracy. And the charm of the students has won the support of many workers.  
Student comments in favor of Communist rule are more difficult to decipher, but interviews with dozens of students in the last two weeks suggest that they are partly tactical and partly sincere.  
Early last week, when the government seemed about to crack down against the students who it said wanted to overthrow the socialist system and Communist rule, many student leaders denied the charges and waged their struggle for more democracy in the guise of

## U.S. Fears Spy Caused Severe Harm

By Stephen Engelberg and Michael Wines  
*New York Times Service*  
WASHINGTON — Investigators have concluded that James W. Hall 3d, an army warrant officer court-martialed earlier this year for espionage, severely damaged several electronic eavesdropping operations aimed at Eastern Europe and the Soviet Union, U.S. officials said.  
The findings, based in part on Mr. Hall's cooperation with the authorities, confirm some of the worst fears about a case that officials said began with a tip from an East German official working as a spy for U.S. intelligence.  
The officials said that one program rendered useless cost hundreds of millions of dollars and was designed to exploit a Soviet communications vulnerability uncovered in the late 1970s.  
According to the officials, the Hall inquiry has been significantly widened to include allegations that other U.S. servicemen were enlisted as spies by the same man, an auto mechanic who is charged with overseeing Mr. Hall's activities.  
The mechanic, Huseyin Yildirim, taught auto repair to army personnel at the service's Field Station Berlin, in West Berlin, the post from which Mr. Hall is believed to have done the most damage.  
Investigators are said to suspect that the other servicemen were part of a separate network that Mr. Yildirim organized before Mr. Hall volunteered to spy for East Germany in late 1982.  
The suspicion that a skilled recruiter of spies was playing his trade while on the payroll of Field Station Berlin worries government officials, who called the base one of the most important U.S. listening posts in Europe.  
It is used to test the newest devices for capturing Eastern bloc communications, officials said. About 1,300 service personnel work at the base.  
"We are looking at the potential







## AMERICAN TOPICS

### In a Mere 20 Years, No More False Teeth

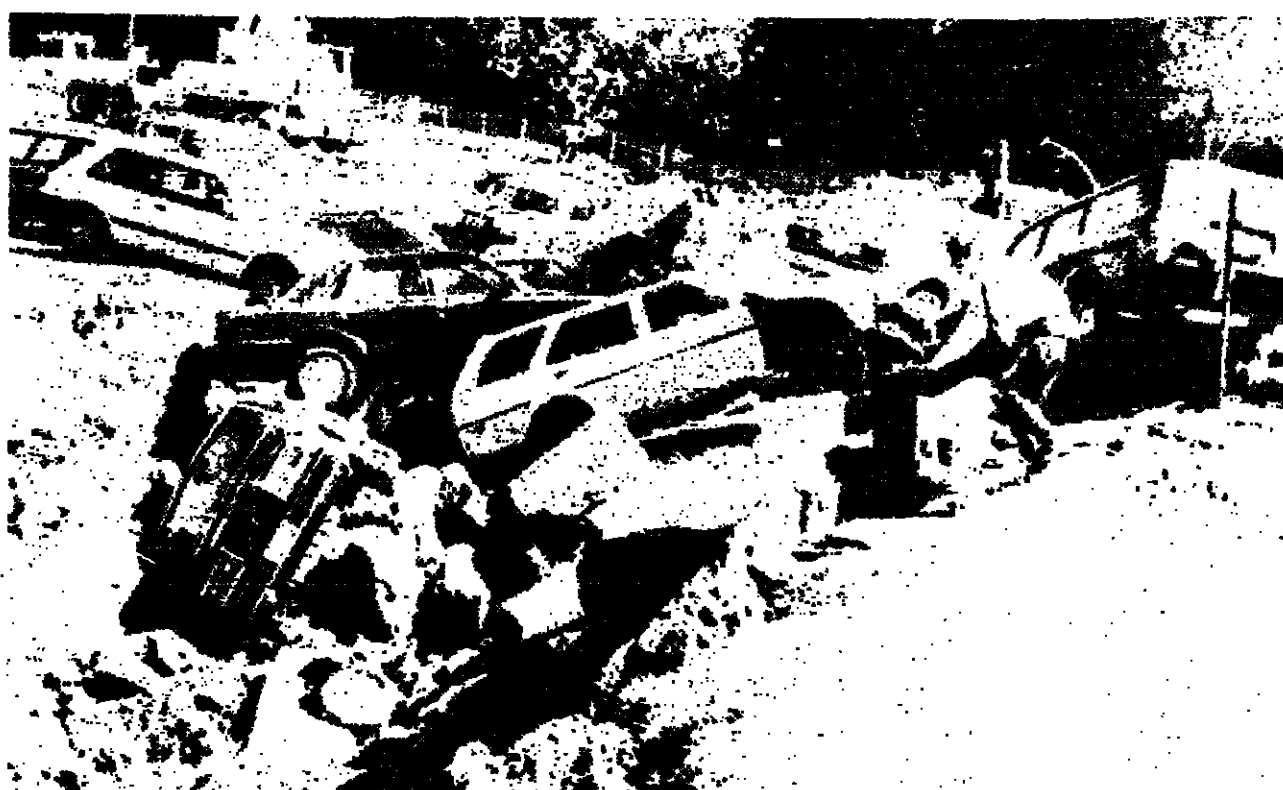
Dental science has progressed to the point where false teeth may soon become a rarity. The Washington Post reports, "Within the next 20 years," says Harold Lee, director of the National Institute of Dental Research, "we will probably have eliminated toothlessness."

Periodontal disease, an illness of the gums, is the chief culprit in tooth loss. Robert J. Genovese, head of the oral biology department at the State University of New York at Buffalo, said, "I have great optimism we'll be able to treat 95 percent of periodontal disease and people will not have to lose their teeth. We have all the principles of therapy and all the techniques pretty well researched." Now, he says, it is chiefly a matter of putting them into practice.

### Short Takes

Students at the University of California at Berkeley, where no single ethnic group forms a majority, will be required as of 1991 to take a comparative course on U.S. ethnic groups. The faculty has voted, 227 to 194, to make the one-semester course a graduation requirement. Of Berkeley's 22,671 undergraduate students, whites are 46.5 percent; those of Asian descent, 26.5 percent; those of Hispanic origin, 11.1 percent, and blacks 7 percent.

Billboards advertising alcohol and tobacco are concentrated in inner city areas, surveys show, spawning protests that they contribute, in disproportionate num-



**MAY'S OFF TO A NOT-SO-MERRY START**—Heavy weekend rains caused a parking lot to collapse into a sewer line in Glen Echo, Maryland. Thunderstorms and more than two dozen tornadoes since Thursday left at least 16 persons dead in the South, Southeast and Middle Atlantic states. There were snowfalls of half an inch and subfreezing temperatures in the upper Middle West.

bers, to deaths among the poor of diseases related to smoking and drinking. St. Louis is typical—three times as many billboards in black neighborhoods as in white, with 62 percent advertising cigarettes and alcohol, compared with 36 percent in white neighborhoods.

Go to an auction of property seized by the U.S. government and pick up a \$200,000 house for \$15? It's been done, says a radio commercial promoting a paperback book, "The Action Guide to Government Auctions," which sells for \$79.95. Another commercial cites a \$50,000 fishing trawler that went for \$10. Any such bar-

gain "certainly was an aberration," Steve Boyle of the U.S. Marshals Service told The Washington Post. "Typically, there's a minimum bid set at approximately the appraised value. If no one bids up to the appraised value, the sale is simply canceled."

San Jose, California, the heart of Silicon Valley with its high-tech electronic industries, has climbed past San Francisco and become the state's third-largest city. The state finance department's demographic research unit says the current rankings are Los Angeles, with 3,400,500; San Diego, 1,866,600; San Jose 738,400 and San Francisco 731,700.

Not all the cultured pearls in the world are grown in Japan. John R. Latendresse, an entrepreneur in Camden, Tennessee, sold his first marketable crop two years ago for \$1.5 million, compared to \$500 million a year for the Japanese. Returns are not in yet for subsequent crops. Mr. Latendresse, 63, said that on a 1982 visit to Japan, "I was asked by the chairman of the cultured pearl export association if I was aware that the cultured pearl business really belongs to Japan—that it was part of their history, their culture and their heritage." He said he replied that, "Henry Ford is part of our culture and part of our past—and look what the hell you people have done with his idea!"

### Notes About People

Former President Jimmy Carter, asked about the first 100 days of the Bush administration, said, "As a Democrat I'm inclined to be critical, but compared to his predecessor he's done a rather beautiful job."

The actor Danny DeVito, who co-stars with Arnold Schwarzenegger in the current film "Twins," says he enrolled at the American Academy of Dramatic Arts intending to become a makeup artist. "But you couldn't enroll as a makeup student. You had to enroll as an actor. I got hooked."

Arthur Higbee

## Yevtushenko Says the CIA Betrayed 2 Dissident Soviet Writers to KGB

Reuters

MOSCOW — The Soviet poet Yevgeni Yevtushenko says that the CIA helped the KGB clamp down on Soviet dissidents in 1966 as a way to avert world attention from the U.S. bombing of Vietnam.

In an article published by the weekly Ogonoyok, Mr. Yevtushenko wrote that he was told in 1966 by Senator Robert F. Kennedy of New York that the U.S. intelligence service had given its Soviet rival the pseudonyms of two dissident Soviet writers, Yuli M. Daniel and Andrei D. Sinyavsky.

Both writers were prosecuted by the Soviet authorities, and their prison sentences touched off a storm of protest in the West.

Mr. Yevtushenko wrote that he learned of the alleged CIA involvement at a meeting with Mr. Kennedy at his headquarters in New York in November 1966.

"I spent several hours with Robert Kennedy," Mr. Yevtushenko wrote. "During the talks, he took me to the bathroom, and, turning on the shower, he told me in confidence that the pseudonyms of Dan-

iel and Sinyavsky had been disclosed to the KGB by the American secret services."

"At first I did not understand why," he added. "Robert Kennedy smiled ironically and said that it had been a rather advantageous and propagandistic move."

Mr. Yevtushenko wrote that Mr. Kennedy had told him that the arrests and convictions had "pushed the topic of the bombing of North Vietnam into the background and put the persecution of Soviet intellectuals into the foreground."

He said he had asked Mr. Kennedy for permission to tell the Soviet government about the undercover cooperation between the two intelligence services. He was told he could do so only if he did not reveal his source.

He then went to the Soviet mission in New York, he said, and an official there agreed to help him send a coded telegram.

Later, Mr. Yevtushenko said he

was picked up by "two strangers" who took him back to the mission and tried in vain to make him reveal his source and name the Soviet official who had helped him.

Robert Kennedy was assassinated in June 1968 in Los Angeles. Yuli M. Daniel, who served five years in a labor camp, died in the Soviet Union in December. Mr. Sinyavsky served six years in a labor camp. He emigrated in 1973 and lives in France.

Several of the more outspoken Soviet newspapers, taking advantage of President Mikhail S. Gorbachev's policy of *glasnost*, or openness, are publishing articles on the clampdown on dissidents that began with the Daniel-Sinyavsky trial.

"The trials destroyed the prestige of our country not only in the West but above all in our own eyes," Mr. Yevtushenko wrote. "They destroyed in us the feeling of both human and civil dignity."

## Suspected Leader Of Voodoo Cult Is Killed in Mexico

Reuters

MEXICO CITY — The suspected leader of a drug-smuggling voodoo cult that is believed to be responsible for 15 murders has been killed in a gun battle with Mexico City police, the news agency Notimex reported Sunday.

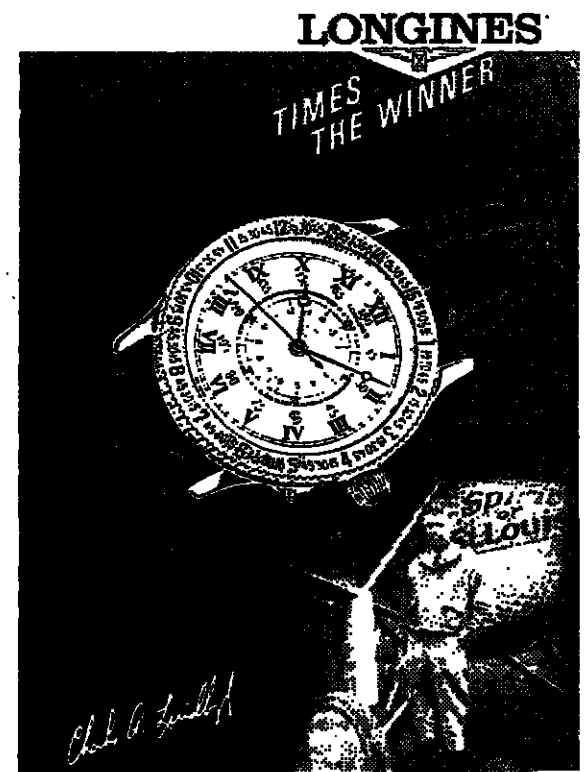
The agency said that officials of the Federal District Attorney General's office had confirmed reports from police in Texas that Adolfo de Jesús Constanza, known as "the Godfather," had died in the gunfight.

One of his bodyguards, Martin Quintana Rodriguez, also was killed, Notimex said.

Mr. Constanza had been sought by the police since 15 bodies were found last month on a ranch 35 kilometers (20 miles) west of Matamoros, Mexico.

According to four men arrested in connection with the killings, Mr. Constanza, 27, and a girlfriend, Sara Villareal Aldrete, led a group that practiced voodoo and that ritually killed people to invoke demonic protection for their marijuana-smuggling ring.

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The celebrated Longines Hour Angle navigational watch, made by Longines to a design by Charles A. Lindbergh, who completed the first non-stop transatlantic flight in May, 1927.

LONGINES

## Earl Blaik, Former Football Coach at West Point, Dies at 92

The Associated Press

COLORADO SPRINGS — Earl (Red) Blaik, one of college football's foremost coaches, died Saturday at a nursing home here, two days after breaking a hip in a fall. He was 92.

By William N. Wallace  
New York Times Service

Mr. Blaik was the head football coach at the United States Military Academy, his alma mater, for 18 seasons, from 1941 to 1958, and directed a series of superb teams. His teams were named national champions in 1944 and 1945.

Three of his players — Doc Blanchard, Glenn Davis and Pete Dawkins — won the Heisman Trophy as the nation's outstanding collegiate player. Many of his players were All-America choices.

Although a civilian coach and athletic director during his years at West Point, he always was addressed as colonel, his retirement rank as a reserve officer.

His darkest time came in 1951, when 51 football players were among 90 cadets dismissed from the academy for violations of the honor code.

One was his son Robert, the starting quarterback. Mr. Blaik unsuccessfully defended the cadets against higher authority, but chose to stay on at West Point and rebuild the program. That he did, and by 1954 the Army team again was one of the best in college football.

Mr. Blaik's record at West Point was 121 victories, 33 defeats and 10 ties with five unbeaten seasons. He had only one losing season, 1951.

Guy Williams, 65, Actor Who Played Zorro  
BUENOS AIRES (AP) — Guy Williams, 65, the actor who played

Zorro in the popular 1950s U.S. television series of that name, died from an apparent heart attack in his apartment here, the police said Sunday.

Mr. Williams was well-known for his role as a mysterious defender of the weak and the oppressed in "Zorro," which was produced by Walt Disney and set in colonial Mexico.

Other deaths:  
Claude A. (Bennie) Benjamin, 81, a songwriter who composed "I Don't Want to Set the World on Fire" and other popular tunes, af-

ter a long illness Tuesday in New York.

Jaime Eduardo Barrios Pérez de Arce, 43, a Chilean filmmaker, on April 18 after a heart attack at his home in New York.

Cristine Weston, 85, a novelist and short-story writer whose work was set largely in India, on Wednesday in Bangor, Maine.

Dario Echandía, 91, who served as Colombia's interior president in 1943 and 1944, of cardiovascular and respiratory problems on Sunday in the city of Itaguey in southern Colombia.



THE YEAR OF ARTS AND CRAFTS IN THAILAND

Kite flying! What happy memories of childhood, blue skies, the smell of new-mown grass, 'horses-tail' clouds and those brightly coloured diamonds, fluttering to earth.

In Thailand, the kite has more serious associations. Dating back to the thirteenth century, kite fighting is a real sport of the Thais (and Kings have been numbered among the sport's participants).

It has its own rules and regulations and is recognised by the Thai Sports Association.

Many and varied are the nuances of the sporting code that rules over this enthusiastically pursued activity.

The 'chula' or male kite is seven foot long — seven times the length of the pretty female kite or 'pakpaos'. Both play important roles in kite fighting.

Indeed, the 'chula' in its dimensions and shape has religious and philosophical significance.

Naturally, the crafting of kites is no childhood activity.

A properly-proportioned 'chula' must resemble a human being, with its topmost section representing the head, the two side sections the arms etc., and it must be correctly proportioned for aesthetic reasons.

The paper must not cover the carefully rounded and smoothed bamboo frame (which consists of six separate pieces).

A square criss-cross of threads holds it rigidly together so the squares are uniform.

You can see the professional kite-makers in the Bangkok area.

Mr. Charoon Tiangtham, for example, who has been an amateur kite-maker since the age of 10, gave up his job as a bus driver when he was 47 years old to become one of Thailand's most sought-after professional kite makers.

His earnings in the kite season amount to 1500-2000 baht a day.

Mr. Tiangtham searches out his own supply of bamboo in the nearby forest, so crucial are the basic materials to the construction of a truly great kite.

Each kite takes three days to make and Mr. Tiangtham's dedication to his art runs to having a knife made specifically to trim the bamboo.

As this is the Year of Arts and Crafts in Thailand, there is no better time in which to take in the many and varied examples of Thai tradition and ingenuity.

And there is no finer way of flying to Thailand than on Thai International.





# Missile Dispute Bodes Long-Term Rifts for NATO

By Joseph Fitchett  
International Herald Tribune

PARIS — The dispute about the future of short-range nuclear missiles in Europe has created splits in thinking about NATO strategy that will require years for the alliance to bridge.

The meeting of the leaders of NATO nations at the end of this month may succeed in sidestepping the impasse generated by West Germany's reluctance to accept new missiles on its soil and U.S. and British rejections of early negotiations with the Soviet Union on reducing nuclear armaments and short-range missiles.

But the meeting affords no prospect of solving a deeper question: What kind of forces can the West field to deter war and prevent the Soviet Union from bullying Western Europe?

It is bound to take time for NATO to find a balance of forces capable of restraining Soviet plans and simultaneously reassuring

Western public opinion in the Gorbachev era.

NATO's missile imbroglio is only the start of an alliance overhaul designed to adapt Western security policy to political changes in the Soviet Union and developments in arms technology.

On the immediate issue of short-range nuclear missiles, West Germany has already scored a considerable political victory.

Apart from delaying a decision to deploy new missiles on West German soil, Bonn has challenged the axioms of alliance policy that prevailed under the Reagan administration.

The European allies, since the early 1980s, had found it hard to quarrel with U.S. success in confronting and then cooperating with the Soviet Union.

Now, after nearly two years of benign U.S. neglect of European security issues, Bonn has seized the

initiative and shown that the administration of President George Bush will need more flexible policies.

Chancellor Helmut Kohl, refusing any compromise in a phone conversation last week with Mr. Bush, showed again that West Germany was not averse to diplomatic brinkmanship.

A likely outcome of the NATO meeting is a commitment to discuss cutting short-range nuclear forces if progress is achieved in the current Vienna talks on reducing Soviet superiority in conventional forces in Europe.

That prospect, now being presented by the United States as a concession, could be seen as a coup for Washington.

The Bush administration could say that it frustrated West Germany's call for "speedy" talks on short-range nuclear forces, and seemingly at a bargain price: simply restating principles agreed to by NATO foreign ministers in 1987 at Reykjavik, Iceland.

The alliance announced at Reykjavik its intention to propose talks on short-range nuclear forces "in conjunction with" other agreements on the East-West arms-control agenda: intercontinental missiles, chemical weapons and conventional forces.

But that outcome would mean that West Germany had succeeded in putting nuclear weapons back atop the agenda despite the wishes of Western nuclear nations to protect such weaponry from further negotiations and political debate.

Reagan administration officials had taken the Reykjavik pact's wording to mean that the nuclear balance in Europe was frozen indefinitely while the United States concentrated on its own East-West priorities, notably a ban on chemical warheads and missiles to carry them that increasingly threaten the stability of the Middle East and Latin America.

By linking troop cuts in Europe with steps to cut nuclear arsenals, West Germany has accelerated de-

lays in Europe, free of delays caused by complicated global issues like a chemical-arms ban.

By standing up to the United States over the nuclear-arms issue, Mr. Kohl is hoping West German voters will appreciate his defense of national interests even at the price of strain with an ally toward whom he clearly feels close.

Mr. Kohl runs little risk of alarming his conservative supporters by his unilateral diplomatic foray because the Soviet Union poses no immediate military threat.

Just as De Gaulle, knowing he was protected by U.S. superiority in the East-West nuclear balance, won domestic support by flamboyantly playing to French chauvinism in the 1960s, Mr. Kohl knows that NATO strength is not going to erode irretrievably in a year or two.

If Mr. Kohl manages to stay in power — his Christian Democrats have lost a series of regional elections — every other NATO government, including the United States and Britain, will be relieved not to have dealt with a West German government dominated by the Social Democrats.

By the early 1990s, the key issue for NATO is bound to be the role, if any, of nuclear deterrence.

A government led by Mr. Kohl would probably agree — and the Social Democrats would probably refuse — to stock U.S. nuclear warheads for airborne long-range missiles that could strike targets deep in Warsaw Pact territory.

Another complex issue will be the development of conventional weapons accurate enough to knock out airfields and assume other missions currently reserved for nuclear arms.

In addition, the U.S. government, and perhaps even sooner the British government, may threaten to pull troops out of West Germany unless they have adequate, up-to-date nuclear cover.

By starting now, NATO may have done some of this rethinking in time for the inescapable deadlines of the early 1990s.

## Nominee Firm on Protecting SDI

Washington Post Service

WASHINGTON — The Bush administration will pursue a nuclear arms treaty with the Soviet Union "that fully protects our options for deploying" a defense against ballistic missiles, Richard R. Burt, the designated chief U.S. negotiator on nuclear and space weapons, has told a Senate committee.

Mr. Burt's remark at his confirmation hearing before the Senate Foreign Relations Committee provided the first glimpse of how the administration intended to handle the arms-control implications of the Strategic Defense Initiative program, aimed at developing a space-based missile defense system.

Soviet officials have said they would not sign any new agreement reducing strategic nuclear arms unless the United States agreed to abide by a traditional interpretation of the 1972 Anti-Ballistic Missile Treaty constraining space tests of missile defense technology.

Administration officials have not formally stated whether President George Bush will follow the Reagan administration's lead in refusing to accept that interpretation of the treaty in favor of a more permissive reading that allows unlimited space weapons testing.

Mr. Burt's comments suggested that the permissive reading of the accord would be pursued when U.S.-Soviet talks resume later this year.



Richard R. Burt

## U.S. to Press Moscow on Missile Sales Curb

Washington Post Service

WASHINGTON — Secretary of State James A. Baker 3d, meeting in Moscow this week with Foreign Minister Eduard A. Shevardnadze, will press the Soviet Union to reconsider joining an undertaking to stop the sale of ballistic-missile technology to Third World nations, according to senior U.S. officials.

Administration officials have called Soviet participation "essential." They said Moscow had refused to enter the agreement, and that if it persisted Mr. Baker would explore whether it would impose its own parallel measures to stop the flow of Soviet missiles and technology, particularly to the Middle East.

But administration testimony before a Senate panel last week cast doubt on the likelihood of any change in the Soviet position. It also echoed congressional criticism that the Western undertaking to halt the proliferation of ballistic missiles — the Missile

Technology Control Regime — is failing to stop such sales.

The agreement, signed by six NATO allies and Japan in April 1987, bans the export of hardware and technology that could be used to build missiles capable of carrying payloads of 500 kilograms (1,100 pounds) or more distances of 300 kilometers (186 miles) or farther. Not a formal treaty or even a binding agreement, it is the main Western multilateral effort to curb missile proliferation.

Technology Control Regime — is failing to stop such sales.

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### North Korea Reports Fusion

Agence France-Press

TOKYO — North Korea said Sunday a research group at Kim Il Seng University had succeeded in creating a nuclear fusion reaction at indoor temperatures through research into conventional high-temperature reaction.

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# The Pope: Stumping in Southern Africa

By Clyde Haberman  
New York Times Service

LILONGWE, Malawi — There are striking similarities between an American presidential campaign and a papal voyage like the nine-day African trip that Pope John Paul II completed here Saturday.

In terms of organization, logistics and attention to detail, they look and sound much the same. There are the dozens of reporters. There are even "spin doctors."

While that American term may not yet have made its way to the Vatican, the idea certainly exists in the form of papal aides who offer their sense of the notable points in sermons whose messages sometimes require a bit of coaxing from behind curtains of theological and pastoral discourse.

By now, after John Paul's 11 years in the job and his 41 overseas trips, including five to Africa, no one should be surprised that he is as savvy as any American media wizard out there to parlay a 30-second sound bite into image-building gold. The pope can be fairly blunt about making the best of the press and television.

Speaking to Roman Catholic clergymen on Tuesday in the Malawian capital of Lusaka, he urged that they not hesitate to make full use of the media to "influence and inform public opinion about the church and her teachings."

"The question confronting the church today," he said, "is not any longer whether the man in the street can grasp a religious message, but how to employ the communications media so as to let him have the full impact of the Gospel message."

Of course one can stretch the analogies to American politics only so far. The pope hardly moves to the rhythm of an American politician seeking the White House, and his speeches and homilies are often defined by a

timelessness that does not necessarily respond to the immediacy of a particular situation.

For instance, on Wednesday he went to Kiriwe, in the heart of Zambia's copper-mining region, where times are hard and hunger is spreading.

The odds are at least 8 to 5 that an American candidate would have seized the opportunity.

**The pope can be fairly blunt about making the best of the press and television.**

to put on a helmet and enter a mine to demonstrate professed sympathy for the workers' plight and their aspirations.

Certainly the pope is not about to undercut his dignity for a facile photo opportunity. And he had spoken out about economic suffering at other forums.

In Kiriwe, the pontiff he had come to pray, and that was that. Except for an elliptical allusion or two, not a word was said about copper or poverty or hard times.

Sometimes the absence of a papal comment may be a matter of personal consideration or even good taste.

In Zambia, John Paul said hardly a word about AIDS, even though the disease is rampant there.

Often when the subject does come up, he makes sure to mention its moral aspects — his belief that some people may have brought AIDS upon themselves through sexual prac-

tices that the church does not condone. Had he articulated this viewpoint in Zambia, he would have done so while the guest of President Kenneth Kaunda. Mr. Kaunda lost a son to AIDS-related illness in late 1986, and any moral finger-pointing, no matter how indirect, might have struck some as inappropriate.

On his own, the Zambian leader has raised his son's death in appealing for an international campaign against the disease, which in Africa widely strikes heterosexual men and women.

In Malawi, a mass conducted by the pope provided a snapshot of political realities in a one-party state in which the president serves for life.

A few minutes before the pope's arrival in Blantyre on Friday, the president, Dr. Hastings Kamuzu Banda, drove up amid the pomp and grandeur that defines his every public appearance.

As his slow-moving limousine entered the site of the outdoor religious service, his path was cleared by dozens of chanting and dancing women in bright blue and yellow gowns, all bearing his portrait.

This procession churned along the dusty trail until it stopped at an elevated platform with a throne-like chair between identical wooden carvings of fierce lions.

Dressed in a black three-piece suit, Dr. Banda, an American- and British-trained physician, stepped out of the car and slowly ascended the platform.

In one hand he held a gnarled cane, in the other a shaggy fly-whisk that serves as a symbol of his authority.

From his perch, as aides below made sure that no one approached too close, Dr. Banda presented an august presence as he observed the papal mass.



Beijing students discussing the pro-democracy movement Sunday.

## CHINA: Students Play Party Card

(Continued from page 1)

tem. "But it's not feasible now. We want what is practical."

"It would be difficult for the Communist Party to move forward without a push," Mr. Xia said. "The aim of the student movement is to give the Communist Party an outside push so that it can reform itself."

Several leaders of the student movement have said that they would consider joining the Communist Party at some point in their careers.

Even Wang Dan, the Beijing University student leader who is regarded as among the most aggressive in the movement, scarcely paused when he was asked if he supported the leading role of the Communist Party in China.

"You can say I support correct leadership by the Communist Party," Mr. Wang said, emphasizing the word "correct."

When a group of students at Qinghua University was asked if they opposed the Communist Party, they mustered as much indignation as possible.

"The reason we demonstrate is that we still have some faith in the Communist Party," one said.

Another student added: "We're not against the government, just against the way it is run. It's a question of the party atmosphere, of corruption and of the bureaucracy."

Then the students looked a bit uneasy, as if they might be giving the wrong idea about their goals.

One said, "Remember, though, we can't always say what we think."

In private, students express almost no interest in socialist or communist ideology, and say instead that they favor whatever will make China strong and rich.

## Beijing Activists Pledge to Pursue Boycott of Classes

The Associated Press

BEIJING — Student leaders at Beijing University said Sunday that they would continue to boycott classes for at least five days and that they may hold more marches through the city to press their demands for democratic reforms.

Students at other universities in Beijing that participated in the class boycott, which began April 24, have decided to return to class after staging several demonstrations that brought tens of thousands of people onto the streets.

But the independent student union at Beijing University listed as conditions for returning to class the recognition by the government of new student unions; the reinstatement of a liberal Shanghai newspaper editor; the changing of city laws that restrict demonstrations; and an apology from the People's Daily newspaper for "distorted reporting" of the student movement.

## JAPAN: Ito Pressed to Take Post

(Continued from page 1)

years, it's going to be decided whether the LDP rules for the next 20 years or not."

For years, Liberal Democratic Party members have raised funds and doled out favors — to their constituents, businessmen and other politicians who could help them accumulate power — while Japan's bureaucracy decided policy and ran the government.

Prime ministers tended to be weaker and less essential than in most Western nations.

But that division of labor has eroded in recent years, and the scandal is likely to hasten the change.

The scandal, in which the Reformed Communist Party allegedly provided funds and cut-rate stock in return for government favors, entangled senior bureaucrats as well as politicians, weakening the bureaucracy's prestige.

Despite public disgust at Liberal Democratic ethics, however, the

party is aided by the prosperity Japan has enjoyed under its governance and by the divided opposition.

As one diplomat put it, even in this crisis the opposition is "still essentially irrelevant."

As a result, one Diet aide said, "Whatever reform emerges will favor the LDP." How serious the reform is, the aide said, will depend on how long the public remains angry and how deeply the governing party worries about upcoming elections.

Under the constitution, the government must call an election of the lower house of the Diet sometime this summer. It has the discretion of calling lower-house elections at the same time, or as is more likely, of waiting until next year.

Most analysts are predicting a disaster for the governing party in the summer elections, but a loss in the upper house, where only half of the seats are contested at a time, would not be devastating.

## WORRY: U.S. Epidemic of Fear

(Continued from page 1)

smokers will die from some disease connected to their habit, losing an average of 8.3 years from normal life expectancy. But many people react equally or more forcefully to the evidence that there may be a one-in-a-million risk of getting cancer from chemicals found in drinking water.

One reason most risks are difficult to gauge is that most people do not reason in purely statistical terms about their lives.

"It doesn't really do much good to say, 'Cigarette smoking kills far more people than pesticides,' said Michael Jacobson, executive director of the Center for Science in the Public Interest.

"The fact is that these things, like Alar, appear to be a modest problem and we shouldn't ignore them simply because other problems are worse."

How directly will weight loss affect the development of heart disease? Is a sunburn really going to cause cancer? If a rat gets cancer from consuming a huge amount of diet soda in a short time, will two sodas a day for 30 years do the same thing to a human? Why do

some people live to be 90 while eating steak every day?

None of those questions can be answered with finality. The link between diet and heart disease has been made firmly over the last decade. But genetics often plays a major role that confounds the dietary odds. Researchers have long known that the easiest way to reduce the cancer rate in laboratory animals is simply to give them less food.

The incidence of skin cancer caused by exposure to the sun is increasing rapidly, but nearly everybody knows healthy elderly people who have spent their lives in the sun without using a drop of sun block. Obesity contributes dramatically to death from heart disease, according to dozens of government studies, but one need not look long before finding old people who are fat.

"That's what I call the 'my uncle had an Edsel and it ran fine' problem," said Park Dietz, a professor of law and psychiatry at the University of Virginia, and a specialist on the behavior of large groups. "In most people's thinking, a single familiar case outweighs all the data from the opposite direction."

## TALK: Focus on Bonn

(Continued from page 1)

the Middle East, said on NBC television. The administration "should not be so reactive" to the initiatives of the Soviet leader, Mikhail S. Gorbachev, and should "propose something," he said.

Mr. Nitze agreed, declaring that "we should be looking for an initiative." He said he saw "no reason not to seek" mutual U.S.-Soviet reductions in short-range nuclear missiles. The Soviets' "very great advantage" numerically, he said, makes it in NATO's interest to pursue negotiations.

Saying he opposed total withdrawal of U.S. short-range missiles from Europe, Mr. Aspin suggested that the administration abandon its no-negotiations stance.

**Genscher's Declaration**

Hans-Dietrich Genscher, West Germany's foreign minister, said Sunday that the Cold War was over and that no weapons should be excluded from NATO arms-control talks. Reuters reported from Bonn.

"The Cold War is at an end," Mr. Genscher said. "The Iron Curtain is getting brittle, it's crumbling. This is the historic moment in which we're making policy."

Mr. Genscher said that a meeting of the leaders of NATO nations in Brussels at the end of May would agree on a "joint political strategy toward the East and on a concept that provides more security for East and West, which therefore excludes no kind of weapons from disarmament."

In an apparent reference to skepticism of Soviet changes voiced in Washington recently, Mr. Genscher said that it was time to dispense with stereotypical attitudes toward the Eastern bloc.

**U.K. May Shun Talks**

Britain will refuse to negotiate with the Soviet Union on reducing short-range missiles even if the other 15 members of NATO agree to do so, The Associated Press reported Sunday from London.

The Sunday Telegraph, in an article from Washington, said that Prime Minister Margaret Thatcher made her views known to President Bush in diplomatic notes and telephone conversations last week.

## SPY: A Blow to U.S. Electronic Eavesdropping Systems

(Continued from page 1)

— and it's so far just potential — that this could be the army's Walker case," said an official, referring to the devastating ring led by a U.S. Navy warrant officer, John A. Walker Jr., who spied for the Soviet Union for 17 years.

Prosecution documents at Mr. Hall's court-martial maintained that he disclosed not only data on the eavesdropping systems but information about Western alliance plans in the event of a war.

Other sources said Mr. Hall delivered to East Germany or the Soviet Union a series of North Atlantic Treaty Organization wartime scenarios into the 21st century.

Mr. Hall, who served in West Berlin from 1982 to 1985, was arrested Dec. 20 after he boasted of six years of espionage to a Federal Bureau of Investigation agent posing as a Soviet intelligence officer.

U.S. officials expressed fears that Mr. Hall had caused a major security breach.

Mr. Hall pleaded guilty in February to espionage charges and is serving a 40-year prison term.

Mr. Yildirim has pleaded not guilty and could be tried later this

year in federal court in Savannah, Georgia. Peggy Bie, the woman with whom he has lived since 1985, said in an interview that Mr. Yildirim was an anti-Communist who had tried to stop Mr. Hall from spying.

Ms. Bie insisted that he withheld damaging documents from his deliveries to the East Germans and buried them in West Germany.

A government official said that FBI agents and Mr. Yildirim's lawyer, Lamar Walter, recently visited Germany with a map provided by Mr. Yildirim and, after some digging, did find caches of classified documents. But he said investigators continue to believe Mr. Yildirim was involved in espionage.

Even if Mr. Yildirim did withhold the most damaging documents, Mr. Hall was dealing with the Soviet Union independently.

Mr. Walter declined to comment. Interviews with government officials and witnesses in Washington and in Germany disclosed these new aspects about an espionage inquiry that has largely remained secret.

The case against Mr. Hall began with a tip from a Central Intel-

ligence Agency source inside the East German government. Officials said he had defected to the West and was in hiding.

Mr. Hall was paid as much as \$300,000 over six years by the East German and Soviet intelligence services, making him one of the highest-paid East bloc spies ever. He acknowledged making 30 to 60 deliveries of secrets to East German and Soviet agents while stationed in the United States and West Germany.

Mr. Yildirim befriended military intelligence officers in Berlin, including some whose jobs were to catch spies. One letter of recommendation for Mr. Yildirim, written by a senior U.S. officer, praised him as a "true master in his field."

Administration officials said the Hall case illustrates the fragility of the multibillion-dollar electronic and satellite systems that the United States uses to gather intelligence.

These systems are especially vulnerable to the new spies of the 1980s: low-paid technicians, like Mr. Hall, who was an enlisted man while in Berlin. His final salary as a warrant officer, including benefits, was \$25,894.

## PLO: Arafat Rejects Rafsanjani's Call for Terrorism

(Continued from page 1)

people should not get it any credibility," said Avi Pizner, the spokesman for Prime Minister Yitzhak Shamir.

The United States abandoned its 14-year boycott of the PLO in December after Mr. Arafat renounced terrorism in a statement negotiated with Washington. He also recognized Israel's right to exist within secure borders.

During an official visit to Paris on Tuesday and Wednesday, Mr. Arafat took another step in his Western-oriented diplomacy by declaring that the 25-year-old PLO charter was *caduc*, a French term that can be translated as "lapsed" or "null and void." Israel and its supporters long have objected to provisions of the charter that challenge the Jewish state's right to exist.

Expanding on Mr. Arafat's declaration, Ahmed Abdul Rahman, the chief PLO spokesman, called on Mr. Rafsanjani to stop interfering in Palestinian affairs. He vowed that Palestinians "will achieve their independence through their own methods, by peaceful means through the uprising" against Israeli rule in the occupied territories.

## Britain Tightens Security

Britain said Saturday that it had tightened airport security after Mr.

Rafsanjani's appeal to kill Westerners and hijack airplanes, Reuters reported from London.

"Appropriate measures have been taken because we consider it serious," a Transport Ministry spokesman said of the threat.

**Backing for Rafsanjani**

President Ali Khamenei of Iran indirectly endorsed on Sunday Mr. Rafsanjani's candidacy for the country's coming presidential elections, the Iranian news agency IRNA reported, according to Agence France-Press.

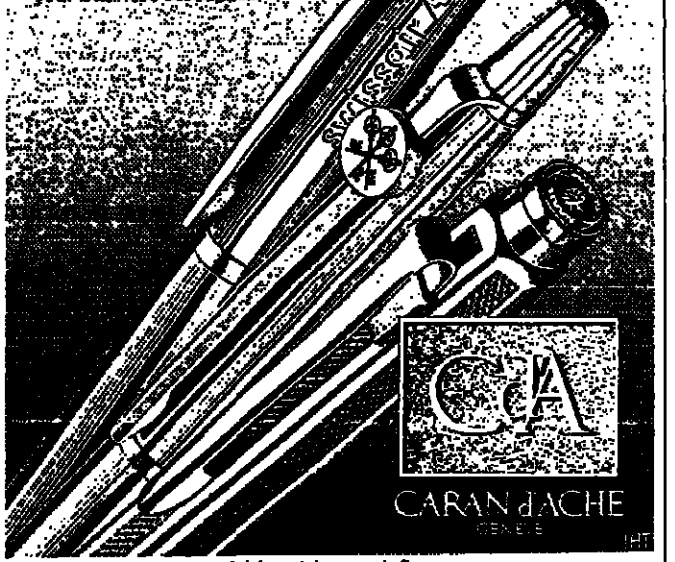
While these statements clearly put the PLO into concert with Western governments in denouncing Mr. Rafsanjani's suggestion, their effect in preventing radical Palestinians or their allies in Lebanon from acting on the inflammatory Iranian advice was less clear. One of Mr. Rafsanjani's themes was that Mr. Arafat had gone too far in meeting Israeli concerns and Palestinians should therefore use whatever weapons they have to avenge the Palestinians killed in the 17-month-old uprising.

**Britain Tightens Security**

Britain said Saturday that it had tightened airport security after Mr.

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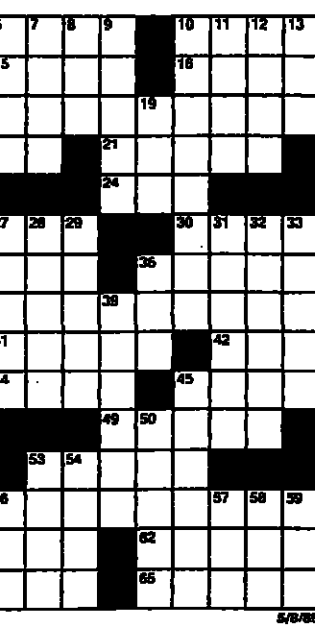
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### ACROSS

- 1 Argon
- 6 Roughen
- 10 Resound
- 14 Kind of acid
- 15 Flying prefix
- 18 Choir
- 20 Japanese immigrant
- 21 Remove an impression
- 22 Punishments for illegal parking
- 24 Sneaky person
- 25 Blackhorn product
- 26 Gaelic
- 30 To be, to Cato
- 34 Coal scuttle
- 35 Bristling
- 36 "The Santa Fe Trail"

### DOWN

- 37 Where there's
- 40 Of the kidneys
- 41 A k a
- 42 With it
- 43 First abode
- 44 Tavern staple
- 45 Shaker filter
- 46 Engineer's compartment
- 49 Mandamus and habeas corpus
- 51 Something to cast
- 53 Hamburger garnish
- 55 Author of a best-selling reader
- 60 — cat (sandal game)
- 61 Chief Storc
- 62 Glove material
- 63 Not sloppy
- 64 Sister of Aves
- 65 Plumbing piece



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### Solution to Friday's Puzzle

ERIS TERSE TARP  
NOLA ERUPT OMAR  
DULLPERSON LINE  
STEEL TRAVESITY  
MUDD TSAR  
OUT MERCY RAFTS  
SNAPPIER SATIRE  
AMIE SWEEP ENID  
GANNET PLODDING  
ENTER BELOW SEE  
TACOS SKAT  
HAIRLINE RUCHE  
OLLA TIDALFLOOD  
WILT ETONS IDLE  
EASE SOMAT PEEN

- 1 Maxilla
- 2 What a good boy
- 3 Part of R S V P
- 4 Queued up
- 5 Babel problem
- 6 Attended the party
- 7 Prefix with sphere
- 8 Bowlike curve
- 9 Hearth tool
- 10 Prop for Groucho
- 11 Tubing joints
- 12 Suits to
- 13 Myrna of films
- 14 Predicament
- 15 Nest egg for a senior citizen
- 16 Streamed forth
- 17 Antiseptic
- 18 Lot unit
- 19 She hid the spies at Jericho
- 20 Inscribed pillar
- 21 Spooky
- 22 Who cares?
- 23 Slowpokes
- 24 Site of the ten plagues
- 25 Not well
- 26 Silly person
- 27 Gunverer's lover
- 28 Bug with pincers
- 29 Immoral
- 30 MacGraw of films
- 31 Burst of flame
- 32 Stir up
- 33 — qua non
- 34 Kind of bargaining
- 35 Atlanta arena
- 36 Cpl and sgt
- 37 Got the blue ribbon
- 38 Mai de
- 39 Jan. follower
- 40 Nigerian native
- 41 Wood for bows



# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## A Less Fearsome Fortress

The Bush administration is still officially at loggerheads with much of Western Europe over short-range nuclear weapons. For people on both sides of the Atlantic who worry about a rupture within the West, there is better news from a different front. It now seems much less likely that the European Community will use the bricks and mortar of the 1992 process to build itself a protectionist wall against imports from the rest of the world. Fortress Europe appears to be a fading fear.

The fear was understandable. When the European Community's internal barriers disappear after 1992, European businesses will find themselves fighting one another much harder to sell their products within that Single Market. They will have the support of workers in threatened factories — which could mean a lot of people, and a lot of voters at election time. No wonder it was thought that the system which produced the Common Agricultural Policy might invent a Common Commercial Policy, too.

On the evidence so far, it will not. One early sign of the surprising strength of Europe's anti-protectionist forces was what happened to something called the Second Banking Directive. In its original form, this document could have stopped American banks from setting up shop in Europe unless the United States changed its interstate banking laws. The Americans protested. The European free-traders rallied as well. The directive was changed, and the Brussels bureaucrats lost most of the interference

power they had been hoping to acquire. The free-trade alliance within the Community is now fighting a new battle over automobiles. The battle is to prevent any Community-wide import quota that now protects automakers in several European countries. It will be a tough fight but, as things are going, it could be easier to sell autos to Europe after 1992 than it is now.

Other battles will follow. Europe's electronics industry, fighting for survival, will demand to be cosseted. The public procurement front will need watching: Companies long favored by their national governments will argue that, when 1992 ends national favors, European bidders for public contracts should at least get preference over non-Europeans. It will be done subtly. The protectionist-pleading phrases to watch out for are these: right to reciprocity, anti-dumping guards, rules of origin, local content.

Yet compared with even six months ago, the prospects are cheering. A strong free-trade lobby has taken shape in the European Commission in Brussels. It has the support of Europe's two most powerful governments, those of Britain and West Germany. It will need support from American free-traders — cries of protest when signs of protectionism appear in Europe, resolute resistance to America's own protectionist instincts. Given that, when 1993 arrives, Europe and the United States may not, after all, be glaring at each other over the battlements.

INTERNATIONAL HERALD TRIBUNE

## What Cambodia Needs

Prince Norodom Sihanouk and Prime Minister Hun Sen of Cambodia seem to be converging on a workable deal for their country when Vietnam ends its occupation in the fall. Into this welcome development comes a proposal by Representative Stephen Solarz, chairman of the House Foreign Affairs subcommittee on Asia, to send military aid to non-Communist rebels in a coalition led by the prince but dominated by the dreaded Khmer Rouge.

That is the last thing the United States should be doing. This is the time for Washington to support the diplomacy under way. Cambodia's deliverance depends on finding a formula to assure that the departure of Vietnam's 50,000 occupying troops does not open the way to a return of the mass-murdering Khmer Rouge. Despite their endless quarrels, Prince Sihanouk, Mr. Hun Sen and former Prime Minister Son Sann finally seem to understand this.

In talks last week in Jakarta, they agreed on the urgency of forming a coalition regime designed to keep the Khmer Rouge, under Pol Pot, from retaking the power it abused in the years of the killing fields, 1975 to 1978. Mr. Hun Sen underlined this accord by saying he would restore the name

Cambodia to the land that the Khmer Rouge renamed Kampuchea, and get rid of its blood-drenched flag.

Prince Sihanouk, reversing his previous position, now says he would return home as head of state once Vietnam withdraws all its troops. But he will do so only if Cambodia's pro-Vietnamese regime changes its Communist character, allows a multiparty system and invites participation by all factions. The prince counts on the Khmer Rouge to reject the invitation.

These are serious negotiating proposals, and are being treated as such by Mr. Hun Sen, who meets again with the prince on July 24. Meanwhile, Mikhail Gorbachev and his Beijing hosts are expected to back the Jakarta principles in meetings next week.

It is hard to imagine what Cambodia needs less than the \$7 million in military aid proposed by Mr. Solarz. Though intended for the Sihanouk forces, the aid probably would be gobbled up by the Khmer Rouge. With Cambodian diplomacy finally moving in the right direction, it would be sensible for Mr. Solarz to shelve his resolution, and for Congress and the Bush administration to endorse the Sihanouk-Hun Sen solution.

—THE NEW YORK TIMES

## The Train From Moglad

The parties to the six-year civil war in Sudan have agreed separately to a ceasefire, which, if it is carried out, can help produce one of the mercies of Africa's year. The Muslim government and the Christian and animist insurgency in the south are hoping to expand on an earlier accord that opened relief corridors into the war zones. No one is formally policing this ceasefire in place, but the international relief providers, of which the United Nations is the organizer and the United States the pacesetter, will follow what is going on. Last year, without such arrangements, perhaps a quarter-million Sudanese lost their lives when fighting prevented the positioning of food supplies before May-to-October rains. To head off a like disaster is the promise of a relief operation that is poised and ready to send in a first 49-car train on an all-weather route from Moglad, in northern Sudan. Deliveries by Nile barge and by air and road are also in the works.

The United Nations is turning out to be the key to Sudan's prospective deliverance. Neither of the Sudanese sides has shown much hesitation to use food denial as a weapon of war. The government wanted to starve out rebels in the countryside, and the

rebels wanted to starve out towns held by the government. A UN emissary, James Grant, the director of UNICEF, has been bringing the weight of disinterested international persuasion to bear both on the government, which has been under domestic pressure to consider a more conciliatory course, and on the rebels, who have been on the military offensive. The further hope is that the two sides, having accepted a temporary ceasefire on humanitarian grounds, will use the respite to work for a permanent political settlement. It is a long shot, but previously there was no shot at all.

None of this can happen if either the Sudanese government or the rebels fail to seize the opportunity of the moment. In the best times Sudan is a poor country carrying awesome burdens of nature and man. In civil war, Sudan begins to fade out as an organized entity. This is what the combination of war, underdevelopment and calamitous flooding and drought was doing. Ending the war is the essential condition for getting back to Square One so Sudan can resume the formidable task of building a nation. Respect for the ceasefire is the principal basis on which both sides will be judged.

—THE WASHINGTON POST

## Other Comment

### Floundering in Afghanistan

What's gone wrong in Afghanistan? As the resistance flounders, the shadows at its edges are coming alive with rogue elements: foreign Islamic revolutionaries changing in to wage jihad; maverick rebel commanders trying to carve out private fiefdoms. All this has undermined the armed campaign against the Kabul regime, which is itself proving more durable than anyone expected.

The mujahidin need to mature politically, and fast. The interim government must prove that its fundamentalist, nationalist and royalist components are bound in a workable unity. No one is better placed to help it do so than Pakistan. But [Pakistan] has long had a bias toward the fundamentalist parties. Is this wisdom?

Imagine a militant theocracy in Afghanistan; the Soviet Union would have cause to fear for its Moslem underbelly, which would not bode well for Afghanistan or Pakistan. It seems time for Prime Minister Benazir Bhutto to have her strategists back off from

attempting to orchestrate the Afghan conflict. Only if the interim government is genuinely representative of Afghan aspirations will it ever walk that last mile home.

—Asiaweek (Hong Kong)

### On North's Many Supporters

For many who viewed Oliver North as a hero, Thursday's verdict will be hard to accept. Facing 12 counts in connection with the Iran-contra scandal, he was convicted of three. Was that justice for a loyal marine who thought he was serving his country?

Iran-contra was not about one marine's loyalty or naiveté. It was about a government within a government, a secret operation that generated funds by selling arms at a profit, and used the profits to carry out foreign policy — all of it outside the parameters of constitutional government. If Mr. North inspires sympathy even now, it's no doubt because he was used by higher-ups. Used or not, he was responsible for obeying the law. The jury understood.

—The Albany (New York) Times Union

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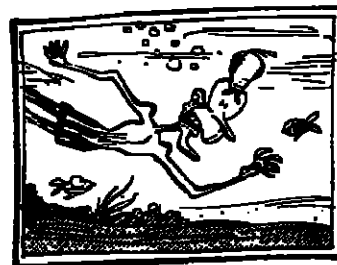
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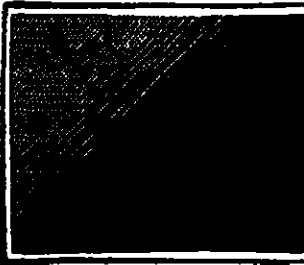
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## OPINION

### What I did on my Honduras Vacation



Swim



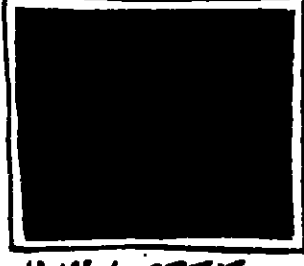
Uh-oh



My camera broke



Won't be able to fix it



Until after the trials (or so)



I am not winking at the press of Honduras here. Something got in my eye. Sand. That's it.

## The Jury Pegged North Exactly Right

By Richard Cohen

WASHINGTON — At a certain moment in the trial of Oliver North, the man became an irrelevancy. That happened when he explained how he came to have so much cash — enough to buy a car. The defendant said that he had a box in his house, bolted to the floor, and in it he put his spare cash. In that moment, drama became comedy, specifically the musical comedy "Fiorello!"

In that classic, hacks of the old New York Democratic machine, Tammany Hall, are asked to account for their wealth. And to a man, they respond that by returning deposit bottles or by giving up cigarettes, they saved their pennies and put them "in a little tin box." In this way, one of them was able to buy a yacht.

If life imitates art, then the North trial was "Fiorello!" all over again. Just as the hacks of Tammany were the mere foot soldiers of more important politicians giving the orders, so then was Oliver North just a lieutenant colonel. He reported to an admiral, John Pendergast, and ultimately to the commander in chief, President Reagan. If Mr. North had his version of the little tin box, then somewhere in the White House was the real McCoy — a veritable vault of arrogance and self-righteousness, of sanctimony and that brushed aside legal and constitutional restraints because they were ideologically inconvenient.

During the trial, Mr. North underwent a Kafkaesque metamorphosis.

The belligerent and feisty North of the congressional inquiry was gone. In its place was a meek, a gruff, following order. He did what he was told — gladly, of course, and with an awesome energy and conviction, but he cannot be faulted for that. His crimes, aside from those for which he was convicted, amounted to ignorance of the constitution and an awesome sense of entitlement. Convinced he was right, he was free to do wrong.

Everything about Mr. North suggests he saw himself as a cinematic hero, as do his supporters. But if life must be seen as a movie, then the one that comes to mind is "On the Waterfront." That one ends with a congressional hearing, with the things of the waterfront being brought to justice. But then the camera pulls back and we see the congressional hearings through a television set. It belongs to the real mob boss — untouched, unknown and, really, unconcerned.

The trial testimony of Ollie North re-established the chain of command. He was not, as he appeared at the congressional hearings, the little lieutenant colonel who ran the world, but the guy down the line, sending memos up, getting them as they worked their way down.

The judgment of the Tower commission report is now in doubt. A sleepy president, lackadaisical as a

manager, now seems to have been more in charge than we thought.

But the suspicion of alertness persists to George Bush, too. Was he just a high-ranking messenger boy when he went to Honduras in 1985, or was he helping to implement a plan under which Honduras would get increased aid in return for helping the contra? Such a quid pro quo might have been illegal. Did he know of the plan? Did Mr. Bush receive or read memos introduced at the North trial that seemed intended for him?

With the fervor in which he lambasted Harvard during the presidential campaign, Mr. Bush denies knowing about, or implementing, a quid pro quo. Maybe he is right. But the documents introduced at the North trial, not to mention the testimony of CIA operatives, suggest a broad conspiracy.

As for Mr. North, his eyes brimming with sanctimony, he nevertheless tips off the stage, a bit player. Courageous in battle, he bolted when cornered, leaving shredded documents in his wake. Caught between what he owed his Congress and what he owed his president, he did what heroes are not supposed to do: He fled. Silence would have become him more.

The jury need him just right: guilty to a degree innocent to a degree. It took his peers to offer the final insult: Oliver North was no hero. He was never, really, his own man.

Washington Post Writers Group

## The 'Normal Life' of a Not-So-Normal South African Fighter

By Ronald Aronson

DETROIT — My moment of anxiety in the winter darkness of downtown Johannesburg was over before I could even say what it was I had begun to fear. The car pulled into the empty parking lot where the airport bus had left me. David Webster and Maggie Friedman greeted me as if we were old friends, and we drove off to David's office at the University of the Witwatersrand to use the phone. We would spend Saturday evening and Sunday morning together, for the sole reason that a mutual friend in Durban had said we "must" meet each other. While David was making reservations at a favorite Portuguese restaurant, I looked over his bookshelves and noticed how parallel, and how equally political, were our interests, in spite of his academic home in social anthropology and mine in philosophy.

At a dinner served by refugees from majority rule in Portuguese Africa, we got to know each other by talking about the prospects for majority rule in South Africa, and about how David and Maggie were aiding that process. They were not the kind of whites who say they detest apartheid but still find reasons to reject majority rule. They had joined with the vast majority of South African blacks in demanding that apartheid be ended by a transfer of power to that majority — on the principle of one-person,

one-vote in a unitary South Africa. The word "joined" fit David and Maggie: They were among the whites who interact daily with blacks in the democratic movement, living out their commitment in direct and personal ways.

We talked easily. David spoke about the process in which each time the state issues an organization, another springs up. Now, for example, they were active in the Five Freedoms Forum (named for Roosevelt's Four Freedoms, plus freedom from discrimination). Maggie spoke about how skilled whites were in the struggle against apartheid — for example, her own work with computers had been important for the Detainees' Parents' Support Committee (it is now restricted).

As was the case whenever I was with politically active South Africans, our time together was one long, intense conversation, punctuated by normal-life activities such as eating or sleeping. In this process David Webster's special qualities emerged. No doubt he was a leader, and no doubt he had keen analytical powers. But I saw something else: a sense of calm that was not diminished by his determination, an ability to be relaxed and unafraid that was not overpowered by his total commitment to ending apartheid, a quality of

humility and soft-spokenness that was not overcome by the importance of his task.

After dinner, David and Maggie took me to Kippies, a jazz club. Black musicians, an integrated audience, many of them political activists, listened intently to the music and simply enjoying the musical scene. This packed, smoky club in the heart of South Africa was filled by an obvious sense of freedom and celebration. David and Maggie introduced me to a few activist friends, but mostly we enjoyed the place, the people, the jazz. We felt the power of the inventive black music; we appreciated the fact that an interracial audience was listening to a black saxophonist searching for African roots. Somewhere, absorbed in the music, David and Maggie, myself, the whole audience, were all sharing the future, a free South Africa.

Back in his unpretentious house (whose servants' quarters in the yard went unused), we talked some more, this time about state repression. And then I went to sleep. David woke me early to go jogging, and we ran across an abandoned gold mine. Later he stopped at a store to drop off some posters announcing a meeting of the Five Freedoms Forum. After breakfast, we talked some more and listened to more music. Then they dropped me off at my next stop.

Several times in the months since then I have thought about David and Maggie, about their quiet calm, their humanness. I have been struck by how normal their life was, within and alongside their commitment. Why did this normality captivate me so? It was the normality of an exemplary life in a grotesquely abnormal world, a normality asserted against South Africa by people determined to transform it.

It turns out that David Webster had much to be afraid of. On May 1, he had just come back with his dog from jogging, probably across that same abandoned gold mine. In front of his home, with Maggie watching, David was gunned down by unknown assassins. He died immediately. A white martyr in the struggle for a nonracial South Africa, he joined the countless black martyrs. The rest of the scenario is predictable. The police probably will be unable to track down those responsible; the anti-apartheid movement will believe the police themselves were involved. David and Maggie's colleagues, white and black, will plead with the world, yet again, to understand that such brutality is the real face of all the proclaimed reforms of apartheid.

The writer teaches philosophy and humanities at Wayne State University in Detroit. He contributed this to The Washington Post.

## Global Topics on the Superpower Agenda: Not So Utopian After All

By Richard N. Gardner

NEW YORK — When Secretary of State James Baker meets Wednesday with Foreign Minister Eduard Shevardnadze in Moscow, the traditional items on the U.S.-Soviet agenda — arms control, regional conflicts, bilateral relations and human rights — will be supplemented by a new "fifth basket" of global issues.

A recent meeting in Moscow of experts convened by the United Nations Association for the two countries suggested that this may be an opportunity to test Mr. Gorbachev's "new thinking" on foreign policy and match it with some "new thinking" from the Bush administration.

Until recently, the idea of superpower cooperation on global problems seemed utopian — even now, some in the Defense and State departments call it "global baloney." Indeed, for years Moscow battered the core principles of the UN Charter: the notion of force as self-defense, multilateral cooperation in solving economic and social problems, and universal respect of human rights.

But Mr. Gorbachev now calls for a broad repudiation of traditional Soviet foreign policy doctrines — a search for common interests instead of international class warfare, a respect of the concept of nonintervention instead of the export of revolution by force, a strengthening rather than a weakening of the authority of international organizations, and the entry of the Soviet Union into the world trade and financial system in place of a policy of autarky. How far can we trust Mr. Gorbachev's version of neo-Wilsonianism? Experience justifies caution.

One reason not to dismiss Gorbachevian rhetoric is that Soviet leaders

are offering the same "new thinking" to domestic audiences as to foreign audiences — a speech last summer by Mr. Shevardnadze to his ministry's cadres is a case in point.

There is, moreover, the lengthening list of Soviet deeds in support of Soviet words: the payment of some back dues to the United Nations; the acceptance of World Court jurisdiction in interpreting five human rights treaties; the withdrawal of troops from Afghanistan; the effort, along with other nations, to help end the Iran-Iraq war and to create a peace-keeping force for Namibia.

In the Moscow meeting last month, senior Soviet officials and academics told American experts of their desire to go further. They underlined their interest in strengthening the UN's capacity to avoid and contain regional conflicts through preventive diplomacy and peacekeeping forces. They called for the speedy conclusion of a chemical weapons treaty, the creation of a common regime to limit missile exports to Third World countries, and the establishment of a UN Environment Council at the ministerial level to coordinate global action on various threats to the biosphere.

And they hinted that their government might accept the optional protocol to the UN Covenant on Political and Civil Rights, under which Soviet citizens could petition a UN committee over violations of their human rights by the Soviet government.

The reasons for all these changes, past and prospective, are not difficult to understand. An overextended Soviet empire with a sick economy needs

agreed rules and multilateral arrangements to protect its interests in regional trouble spots while enabling it to maintain some political influence.

More responsible behavior on their part, the Soviets clearly hope, will open new possibilities for badly needed trade and joint ventures. Moreover, Mr. Gorbachev evidently believes that making new multilateral economic and human rights commitments will help him institutionalize his still fragile domestic reforms.

All this does not mean that the Cold War has ended or that we can ignore the need to maintain a secure balance of power through strong defense and strong alliances. We cannot be sure that Mr. Gorbachev will survive or that, if he does, his "new thinking" will prevail against hardliners in the Politburo.

But his approach offers an opportunity to advance U.S. interests and the general human interest. America should seek to link to his rhetoric and to call the Soviets to account when their deeds fail to match their words — as with their sale of long-range SS-20 bombers to Libya and their votes to expel Israel from the General Assembly. And the Bush administration should prepare an agenda to put alongside Mr. Gorbachev's, thus adding, at long last, a strong multilateral dimension to the U.S.-Soviet dialogue.

For Mr. Gorbachev is able to complete the course on which he has embarked, the main threats to the future security of the superpowers may be not from each other but from ominous developments in the Third World — not only terrorism and drug-traf-

ficking, but the presence of missiles, chemical weapons and nuclear arms in the armories of unstable governments and a multiplication of conflicts fueled by underdevelopment, overpopulation and ecological catastrophe.

The Baker-Shevardnadze meeting could help in preparing proposals for global cooperation to be examined at the first Bush-Gorbachev meeting. Such a development would not be utopian but intensely practical. For

George Bush's America no less than for Mikhail Gorbachev's Russia, in a time of military, economic and environmental challenges, multilateralism has become a reality.

The writer, a professor of international law at Columbia University, chairs a UN Association dialogue with Soviet counterparts on multilateral cooperation. He contributed this view to the International Herald Tribune.

## 100, 75 AND 50 YEARS AGO

### 1889: Count Tolstói Dies

PARIS — The *Gaullists* has received news of the death of Count Dmitri Tolstói, at the age of seventy. The deceased had occupied the post of Minister of the Interior in the Russian Government since the accession of Alexander III, when he replaced Count Louis Miliukoff. He was one of the great leaders of the Conservative party, and had succeeded Katkoff following his death a year ago.

### 1914: Belated Settlement

WASHINGTON — The Anglo-American Claims Arbitration Tribunal has adjourned. One of the cases which has been decided is the illegal seizure of the British ship Lord Nelson by the American navy as long ago as June 5, 1812, two weeks before the declaration of war between the United States and Great Britain. The tribunal assessed damages at \$5,000 against the United States, with ninety-three years' interest.

### 1939: Italo-German Pact

ROME — Germany and Italy have decided to strengthen the Axis by a political and military treaty, it was announced this afternoon [May 7]. An official communiqué stated that by fixing definitely and formally in a military and political pact the relations between the two states of the Axis, Italy and Germany intend to contribute effectively to assure peace in Europe. The news came as a sharp surprise both to Italians and to foreign observers. Commentators in London remarked that a military pact could not make the relations between Berlin and Rome any closer than they have been ever since League of Nations sanctions against Italy in 1935 threw Benito Mussolini into the arms of Adolf Hitler. It was felt however that the Italian-German military pact emphasized the necessity of redoubling vigilance about Poland, particularly in connection with the situation in the Free City of Danzig and the Polish Corridor.



## PERSONAL INVESTING

## FOCUS

A Critical Look  
At Art Funds

HOW WOULD a fund that invests in works of art sell to investors? This is one of the questions investment specialists at Chase Manhattan Investment Management have been reviewing for the past few weeks. According to officials at Chase, under consideration are plans to raise roughly \$300 million from pension funds to invest in the art market.

Observers speculate that the successful emergence of such a fund could spark a new investment trend. But they warn individuals not to expect art mutual funds anytime in the near future. Indeed, reaction among experts in both the investment and art worlds to the art fund concept has been mixed.

Critics are concerned about the many gray areas that determine the worth of a piece of art. When combined with the illiquidity of the market, they say, investing in sculpture, paintings and antiques is a very risky prospect.

"You never know what the value of a painting or sculpture is until you sell it on the market, and you never know how much the portfolio is worth until it is realized at a sale," says Susan Buddin of the British Rail Pension Fund. The £6 billion fund invested \$70 million in art between 1974 and 1981 as a hedge against inflation. But since 1987, it has been selling its holdings.

Unlike stocks, bonds and real estate, where value can be directly linked to economic activity, analysts say the value of artwork is mostly subjective and unpredictable. As most works of art are individual and unique, it is virtually impossible to use historical data or economic analysis to estimate the return on an art investment.

THESE ARE SOME of the reasons why Gary P. Brinson, president of First Chicago Investment Advisors, a firm that manages \$11 billion in assets for institutional clients, does not consider art an investment market. "The trouble with art is that the formation of a price is devoid of any underlying economic cash flow. There is no rational way you can arrive at an appropriate price structure for a piece of work," he says.

Furthermore, Mr. Brinson goes on to say that published price charts and indices, such as the Sotheby Art Index, which tracks prices of ceramics, furniture, paintings and silver, are misleading gauges of value. "Art that is not valuable doesn't usually come up for sale," he explains. "The price charts only reflect the saleable goods, and not the totality of the market."

Even well-documented price increases do not guarantee that all art investments will provide a good return. To date, the British Rail Pension fund has sold roughly 25 percent of its eclectic, 1,100-piece collection for a modest, inflation-adjusted return of 6.9 percent. Most of those profits were realized from a recent sale of the fund's Impressionist and Modern art collection, which fetched \$65.6 million (£35 million not including the 10 percent buyer's premium). Before that sale, the real rate of return was 3.6 percent.

Elsewhere, cautious observers question whether the art market has enough depth and breadth to feed funds hunting for investment values. A fund the size that Chase has suggested, some dealers say, could take as long as a decade to be fully invested. "There are only a finite number of quality works that come up for sale," says the London dealer Richard Day. "You couldn't spend several hundred million dollars in a short period of time and do so sensibly."

What's more, he says, the presence of art investment funds could drive up prices and drive out private buyers. In the process, the art funds would narrow their own chances for investment returns in the resale market. "You can't pay the high prices and expect to sell it for a large profit in the future," says Mr. Day.

With prices of many artworks on the rise in recent years — Sotheby's Art Index has risen an average of 19 percent annually over the last five years — some experts suggest that investing in an art fund at this time might be analogous to buying stock when the market is at an all-time high.

"It's like buying tulips when those prices were in the sky," says Mark Boyar, a private collector and president of a money management firm that bears his name. "Eventually the hype will diminish and prices will go back down to more realistic levels."

Beyond these considerations, observers point to a plethora of practical problems such as storage, insurance, maintenance and advisory fees and the expense of having assets tied up in investment that has no yield. "You can't expect to get dividends from a painting," says Mr. Brinson of First Chicago. □

Cynthia Catterston

## Putting the Squeeze on Penny Stock Fraud

European officials are still untangling complex swindles.

By Nigel Adam

L AURENT KASPER-ANSERMET, a prosecuting magistrate in Geneva, plans a business trip to the United States soon. His task: Looking into possible links between Blind-er, Robinson & Co., the largest U.S. penny stock broker and the target of a federal investigation, and three Swiss firms closed in the European crackdown on securities abuses that began last summer.

"We have had good working relationships with the SEC," says the Swiss magistrate of the U.S. Securities and Exchange Commission. "Now we need the same cooperation from the U.S. courts."

His travel plans underscore the internationalization of the abuses associated with U.S. penny stocks and the lengthy time it is taking regulators to follow through on the cases that erupted into the headlines with the arrest in France last July of Thomas F. Quinn, a former Wall Street broker. The figures accused or sought in connection with the European investigations have ties with dubious securities operations in Denver, Colorado, and Boca Raton, Florida.

The arrests have continued since July, most recently in Amsterdam and even the tiny principality of Andorra. Some authorities believe these latest arrests have finally broken the fraud ring allegedly operated by Mr. Quinn. But other officials say the share pushers — following their pattern in the United States — have probably gone back into business under a different name.

Indeed, there is a long history of securities chicanery on the Continent involving flamboyant Americans. Thousands of investors lost money in the early 1970s with the collapse of the IOS mutual fund empire founded by Bernard Cornfeld. Authorities say the low level of European regulation is a major factor drawing less-than-legitimate securities operations. In Switzerland, brokerage houses do not normally need a license to sell stocks.

Now, with the efficiency of international communications, so-called boiler-room operations closed down in one area can easily move on to more fertile, less dangerous territory. "It is only rumor," stresses an attorney familiar with the latest fraud cases. "But we may find these people resurfacing before long in Hong Kong or the Philippines."

One positive note: The cooperation among European law-enforcement authorities that led to last July's arrests bodes well for future efforts to corral stock schemers. "Even more encouraging," says a Paris-based police official involved in the investigation, "is the cooperation between European authorities and the U.S. Securities and Exchange Commission."



Joseph Goldstein, head of the SEC's task force on penny-stock fraud.

Chronicle of  
a Crackdown

**Protecto Industries:** The SEC, the FBI and Utah state regulators brought civil and criminal charges Jan. 18 against a lawyer, a stockbroker, and an accountant in connection with dealing in Protecto. The company had no operating business, published false financial statements and maintained a fictitious shareholder list, say officials.

**Power Securities:** Closed Feb. 13 after a court order stemming from complaints filed by the New York State Attorney General. Officials allege the firm provided clients with false profit projections and refused to redeem shares at quoted prices.

**F.D. Roberts Securities Inc.:** Closed Feb. 16, about two months after the SEC filed a civil action against the brokerage for manipulating the price of stock in Hughes Capital Corp.

**Investors Center Inc.:** Closed Feb. 23 for lack of capital. The halt in operations followed an investigation that began one day after the SEC announced formation of its task force.

A Second Round  
Of Privatizations

By Jacques Neher

E UROPEAN governments are gearing up for a second wave of privatizations. And if this round of asset sales is anywhere near as successful as the first, investors stand a better-than-even chance of picking up a bargain.

The privatization push, which started in Britain in 1979 and expanded throughout the continent in the 1980s, has been particularly successful in Britain and France. The latest wave sees Spain, Portugal, Italy, the Netherlands, Denmark stepping up sales of government assets. In these smaller markets, the sales mark a major expansion in the kinds of companies available to investors.

"By and large, investors have done quite well with privatization stocks," observes Alastair Ross Goobey, chief European investment strategist for James Capel & Co. in London. "Governments have political reasons as well as financial reasons to ensure that their issues are successful."

Many privatization offers were structured to promote wider share ownership by providing incentives to first-time investors. With a broad distribution of shares, government officials had reason to remember that every investor is a potential voter. Moreover, the failure of a privatization would make it hard for a government to float future issues and give ammunition to critics of such sales. That has prompted officials to price issues low

enough to ensure that investors make a profit.

The performance of British and French privatized issues has been testimony to their attractive pricing. In Britain, a portfolio of one share of each privatization issue would have appreciated 52 percent as of mid-April. In France, where a dozen companies were privatized between 1986 and 1988, a similarly composed portfolio would have gained 57 percent. Adding free shares awarded for holding certain issues for minimum time periods would have boosted returns on the French portfolio to 71 percent, according to calculations by Investir, a French investment publication.

Spain's \$1.06 billion privatization of Repsol, the energy group, has grabbed the spotlight in recent weeks.

"The Repsol sale will undoubtedly be successful," says Lawson Steele, who covers the Spanish market for UBS/Phillips & Drew. "The pride of the Spanish is at stake, and with a few other privatizations in mind, they can't afford to let it go wrong."

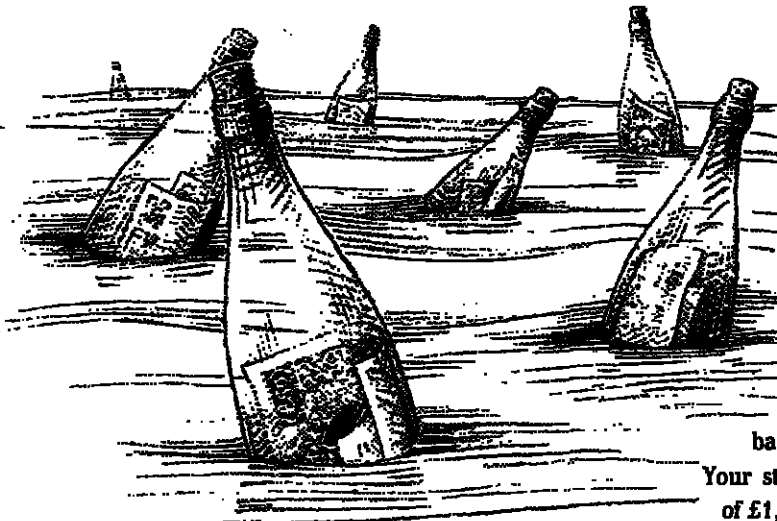
In an international offering to be concluded this week, the government is selling off 24 percent of the company at 1,700 pesetas per share, giving the issue a historic price-earnings ratio of 9.1, far below the Madrid market average of 12. Trading in the shares starts Thursday.

The Repsol sale is part of a plan to put the company in competitive gear for post-1992 Europe, when the Spanish oil industry will be required to relinquish its monopoly hold on the

Continued On Page 8

Europe's Privatizations:  
An Investor's Scoreboard

LEADERS			
Company	Country	Offer Date	Percent Change Since Offer
Matra	France	Jan. 1988	+165
TCF	France	July 1987	+152
CCF	France	April 1987	+104
Saint-Gobain	France	Nov. 1986	+92
British Airways	U.K.	Jan. 1987	+50
LAGGARDS			
British Steel	U.K.	Dec. 1988	-34
Cable & Wireless	U.K.	Dec. 1985	-16
British Petroleum	U.K.	Oct. 1987	-14
Suez	France	Oct. 1987	-1
Rolls Royce	U.K.	May 1987	+6

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## UPDATE

Fusion Frenzy  
And Palladium

THE DEBATE over whether recent experiments actually produced cold fusion, a potentially inexhaustible energy source, has yet to produce a definitive answer.

Nevertheless, the unusually public exchange has focused investor attention on palladium, a close cousin of platinum and an ingredient in the fusion process.

In mid-April at the height of fusion euphoria, palladium peaked at \$184, an eight-year high. In recent weeks optimism over cold fusion has waned and palladium was recently trading for \$158 an ounce. Yet even if the technology proves illusory, palladium prices may hold their own or even rise, according to analysts. "This was an extremely tight market before the fusion announcement and it still is," says Jeffrey Christian, Managing Director of CPM Group, a precious metals research firm.

The fundamental outlook for the metal remains encouraging. Palladium is used as a catalyst in an expanding array of chemical and petrochemical processes, and analysts say that supply is not keeping up with demand. "There should be a sizable deficit of 50,000 to 100,000 ounces for the next four years," observes Rhonda O'Connell, a precious metals analyst at Shearson Lehman Hutton in London.

Both Ms. O'Connell and Mr. Christian believe palladium prices could briefly touch \$200 either late this year or early in 1990 but say highs are more likely to average \$170 per ounce.

Of course, if palladium is ultimately used in a genuine cold fusion process, "no one knows how high prices could go," says Mr. Christian.

David C. Lanchner



## THE BOURSES

## Tokyo: Analysts Foresee Return of Retail Investors

By Patrick L. Smith

**W**ATCHING individual investors in the Tokyo Stock Exchange in recent years has been a poor gauge of where prices are likely to be heading. In fact, individuals have drifted out of the market despite a seven-year rally that continues to propel prices.

But this may be changing. Analysts say individuals are showing signs of renewed interest in the market and are taking a second look at shares in the second-line brokerages that cater to the retail investors.

Although commissions at the small Tokyo brokerage houses are way below the highs reached in the months prior to the 1987 crash, many analysts anticipate a strong earnings rebound in the current fiscal year that ends March 1990.

"Those forecasts haven't come through yet," says Susan Parker, an analyst at Smith New Court Far East Ltd. in Tokyo. "And my view is that when they finally do, at least some of these stocks are going to show record earnings prospects."

**O**NE REASON for the talk about renewed interest among individuals has to do with the hard-won tax reform package that began to take effect on April 1. This has significantly loosened restrictions on the number of stock transactions an individual can make without paying taxes.

They certainly have the money to invest. Net savings among Japanese individuals average 7.2 times net income, compared with 3.9 in the United States. Savings held in cash and time deposits, which have poor returns in Japan, is currently running at 1.45 times income.

Although all Japanese brokerages have lagged the market, second-line houses are especially appealing, analysts say, because they are trading at a much deeper discount to the market than the Big Four—Nomura, Daiwa, Nikko and Yamaichi.

Sanyo Securities, for instance, hit a pre-crash high of 3,400 yen and is now trading at only 1,800. Both Sanyo and Wako Securities are currently trading at multiples of less than 18 times the projected earnings in the year ended last March. The market average is 56.

Moreover, they are better positioned in the retail business than the Big Four. For both Sanyo and Wako, commissions from stock trading accounted for just under two-thirds of the revenue reported in the year ended last September. For Nomura the percentage was 42 percent and for Daiwa, 48 percent.

"The smaller shops are not making their money on sophisticated international swap deals and the like, but on straightforward local business," says Kenneth S. Courtis, chief strategist at DB Capital Markets (Asia) Ltd. "So when the turnaround comes, their recovery will be that much more surprising."

There is no shortage of options to choose from at the smaller end of the industry. There

## Brokers: A Look at P/E's

Based on earnings estimates for year ended in March

Nomura	32.8
Yamaichi	21.7
Nikko	23.9
Daiwa	21.2
Sanyo	17.9
New Japan	27.4
NKK	32.9
Wako	17.1

are now 24 small houses listed on the exchange, 15 on the first section and nine on the second, including five new listings last month.

But analysts generally follow only the handful of the larger ones. Aside from Sanyo and Wako, these include Kangyo Kakumaru, or NKK, and New Japan Securities, or Shin-nihon. Even among these, trading can drop below 100,000 shares on a slow day, raising the question of whether one can get out as easily as one gets in.

For most, volume generally averages 100,000 to 200,000 shares daily, a range in which most foreign investors are comfortable, but one that adds to price volatility. Foreign ownership in these stocks is also down substantially. For instance, it stood at 1.2 percent of NKK's outstanding shares in 1986, compared with 0.3 percent today.

## Putting Squeeze On Fraud

Continued From Page 7

pools" which can have a purely speculative business plan or none at all.

Fictitious financial statements are often sent to investors. And it is not uncommon for penny brokerages to trade shares among themselves just to manipulate price and volume.

Because pink sheet stocks do not trade on established exchanges, listing requirements are hardly demanding.

Basic information on company objectives, the number of shares outstanding and price must be submitted to the SEC. If regulators raise no objections within 48 hours, penny stock brokerages can start to sell shares.

Failure and chicanery are rife in the penny market, particularly among the roughly 11,000 pink sheet stocks, yet investors continually try their luck with these issues.

The reason is simple. Some of these stocks actually do provide spectacular returns. Immensely profitable firms such as Xerox and Toys R Us were once penny stocks with little beyond management's optimistic predictions to recommend them.

"Often it is not easy to determine what is legitimate and what is illegitimate in this market," acknowledges Philip Feigin, Colorado State Securities Commissioner. "Laser Arms is a case in point."

The company sent out press releases in April 1986 that claimed the firm had developed a self-chilling can that cooled beverages with a pop of the top. A number of newspapers and magazines ran stories on the invention.

Over the next three weeks about 175,000 shares changed hands daily, with the share price rising from \$1.50 to \$3.50.

Prompted by the heavy volume, even venerable E.F. Hutton, began accepting buy and sell orders for Laser Arms shares before the SEC discovered that the self-chilling can was bogus.

Even when regulators are confronted with a clear case of abuse, they must go through drawn out court cases just to get individuals barred from the securities industry.

And when regulators finally shut down the operations, salesmen frequently claim that they were as unaware as their customers of the fictitious nature of products and financial statements. Often they simply move on to another boiler room.

"When a boiler room begins operating in a particular area you've got a problem that's about as tough to eradicate as toxic waste. No matter how many times you close them down, the poison lingers. Salesmen and support network involved in the original scam

## April Market Scoreboard

## Best Performers

Percent Price Change April 28

New York Stock Exchange:		
Compiled by Media General Financial Services. Prices in dollars		
Gordon Jewelry (A)	+77	31.38
Corson Film Scott	+63	22.63
TCBY Enterprises Inc.	+34	25.50
Holiday Corp.	+34	38.88
Brazil Fund Inc.	+30	12.38
L.A. Gear Inc.	+30	43.00
Tiffany & Co.	+28	54.13
Blockbuster Enter.	+27	34.63
Campbell Soup Co.	+26	42.00
Longview Fibre Co.	+25	51.25

## American Stock Exchange:

Sotheby's Holdings (A)	+66	38.00
Sierra Corp.	+62	12.38
IGI Inc.	+47	14.00
VGC Corp. (A)	+40	11.75
Hudson Foods (A)	+39	14.25

## Over the Counter:

Kentucky Medical Inc.	+76	10.63
Apollon Computer Inc.	+58	12.88
Daily Mart Conv. (B)	+57	13.75
Daily Mart Conv. (A)	+56	13.25
Timberlake Corp.	+55	24.75

## London Stock Exchange:

Compiled by Morgan Stanley Capital International. Prices in pence

Gateway Corp. (Dee)	+17	191
Teeco	+13	173
Kingfisher (Woolworth)	+13	256
Asia	+12	185
Avia Europe	+12	418
Daily Corp.	+12	254
BAA	+12	378
Racal Electronics	+12	440
Courtauld	+11	332
UIE	+11	500

## Tokyo Stock Exchange:

Compiled by Morgan Stanley Capital International. Prices in yen

JEOL	+55	1,700
Jeol Industries	+37	1,710
Shimura Koko	+32	935
Fujitsu	+31	1,380
Nichicon	+30	1,680
Ushio	+29	1,350
Amada	+29	1,870
Noritake	+25	1,510
Nikkatsu	+24	557
Mori Seiki	+23	2,820

## Worst Performers

Percent Price Change April 28

Lmas & Nettleton	-21	14.13
SSMC Inc.	-21	28.25
Citizens & Southern	-19	28.18
Household Int'l	-18	53.90
Carroll Investors	-18	12.58
Pacific Scientific	-18	12.58
Pfizer McMoran Engy	-18	10.75
Eastwood Enter.	-15	24.50
Japson Corp.	-14	10.13
Lomas Mortgage	-12	12.38

Hel Inc.	-29	26.50
Max Corp.	-15	11.75
Helco Corp.	-13	10.75
Int'l. Telecharge	-13	10.50
Superi Co.	-12	23.00

Vipart Pharm.	-38	10.25
CSA System	-35	11.00
Cambridge Bio.	-22	11.13
Relational Tech.	-19	11.00
Horizon Ind. Inc.	-19	10.50

Amsted	-19	116
Manwell Comm.	-18	183
Diamond Group	-10	145
Abbey Life	-9	289
Bunt	-8	182
TSD Group	-8	108
Floris Hovis McDougall	-8	380
Garnuda	-8	385
Ashley (Laura) Holdings	-7	101
Unitech	-7	385

## Another Round of Privatizations

Continued From Page 7

domestic market. In 1988, Spain held partial sales of Endesa, the electrical utility, and Empresa Nacional de Celulosa, the wood pulp company. Those shares have appreciated 34 percent and 26 percent, respectively, since their issue.

Iberia, the Spanish national airline, is often mentioned as the next major privatization candidate, but its labor difficulties may delay a sale.

Britain will pick up the pace in November, when it plans to sell off 10 water utilities in a single package. Though many details remain to be worked out, market sources speculate the 10 companies will be sold as one issue with a combined capitalization of around £8 billion. That beats the previous record set by the British Gas issue, which raised £5.1 billion in December 1986.

The water issue, however, will be dwarfed in late 1990 or 1991 by the sale of Britain's Central Electricity Generating Board, a privatization that could raise more than £20 billion, or almost as much as all of Britain's asset sales in the past decade.

So much is riding on these issues that both the water and electrical utilities have begun advertising to raise their profiles among potential investors. "These are no-frills utilities and people have no idea who they are," explained Dermot Coleman, an analyst with Barclays de Zoete Wedd.

Investment professionals' interest has been piqued by the water company proposal, especially in view of the £250 million of takeovers of U.K. independent water companies by French groups in recent months. The privatized group will enjoy a near-monopoly in some areas and stable demand. The 10 companies provide 75 percent of the water and 100 percent of the sewage services in England and Wales. Enthusiasts say the companies have much scope to improve efficiency through such measures as increased use of water meters.

France's privatization program was officially put on hold when the Socialists returned to power last year. Despite the Socialist pledge not to carry out any more sales, state-controlled companies have been allowed to issue stock under different guises.

In April, Pechiney, the aluminum group, floated 25 percent of Pechiney International, a new subsidiary made up mostly of American National Can, which Pechiney purchased late last year. The issue was 18 times oversubscribed by investors and opened trading last Wednesday at 206 francs, 5 percent above its proposed offering price of 196 francs.

In Italy, the market is awaiting details on the privatization of Enimont, a company formed when the biochemical divisions of ENI and Montedison were merged. Analysts expect the government to issue 30 percent to 40 percent of Enimont on the market by this summer.

Dutch authorities have also stepped up the sale of companies in which the government has an interest. The Amsterdam stock market is anticipating the sale this September of a second 33-percent tranche of DSM, the Dutch chemicals concern. Last week, the government announced the flotation of 64 percent of DAF, Europe's fifth largest truck maker. Through various corporate and banking entities, the government has about a 30 percent stake in DAF.

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10 11 12 13 14 15 16 17	10 11 12 13 14 15 16 17	10 11 12 13 14 15 16 17
18 19 20 21 22 23 24 25	18 19 20 21 22 23 24 25	18 19 20 21 22 23 24 25
26 27 28 29 30 31 32 33	26 27 28 29 30 31 32 33	26 27 28 29 30 31 32 33
34 35 36 37 38 39 40 41	34 35 36 37 38 39 40 41	34 35 36 37 38 39 40 41
42 43 44 45 46 47 48 49	42 43 44 45 46 47 48 49	42 43 44 45 46 47 48 49
GAME 4	GAME 5	GAME 6
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10 11 12 13 14 15 16 17	10 11 12 13 14 15 16 17	10 11 12 13 14 15 16 17
18 19 20 21 22 23 24 25	18 19 20 21 22 23 24 25	18 19 20 21 22 23 24 25
26 27 28 29 30 31 32 33	26 27 28 29 30 31 32 33	26 27 28 29 30 31 32 33
34 35 36 37 38 39 40 41	34 35 36 37 38 39 40 41	34 35 36 37 38 39 40 41
42 43 44 45 46 47 48 49	42 43 44 45 46 47 48 49	42 43 44 45 46 47 48 49

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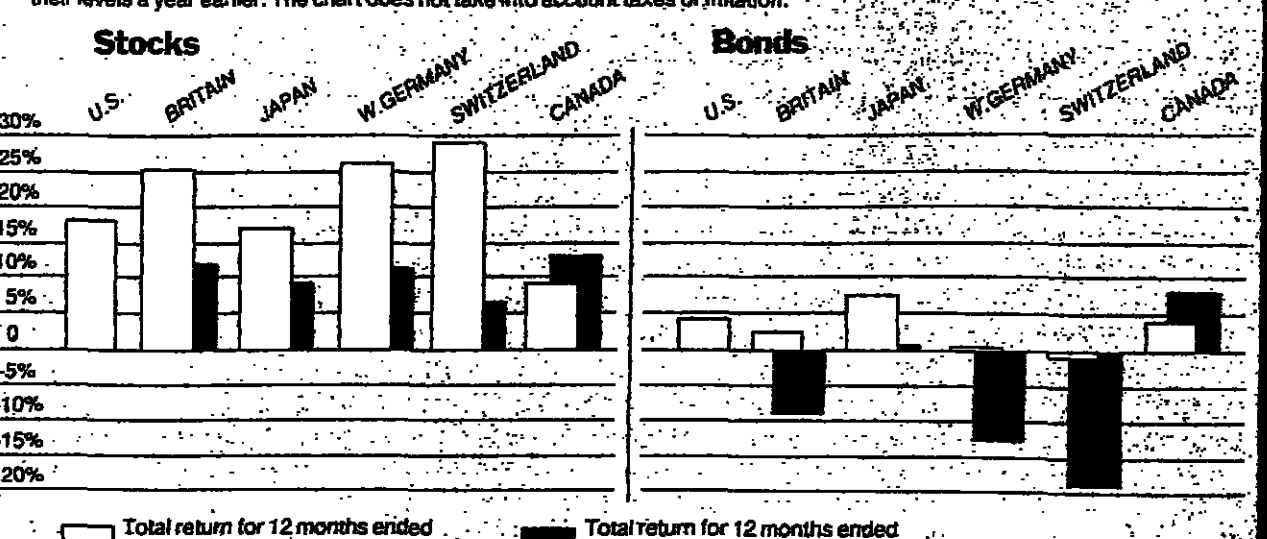
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# Why Closed-End Takeovers Have Bugged Down

Targets are putting up tough fights.

By Cynthia Catterson

INDIVIDUALS who hoped to cash in on the takeover activity among closed-end funds are finding that the rewards of such a strategy are harder to come by.

In recent months, fund managers have stiffened their resistance, often pursuing strategies reminiscent of defenses employed by big companies to stymie takeovers. These include lengthy legal battles, share buy-back plans and an appeal for loyalty among shareholders. Some of these efforts have succeeded, forestalling takeovers that many investors had anticipated.

This is a far cry from some of the swift and seemingly bloodless raids in recent years that have drawn attention to the hidden value of closed-end funds. In one notable case, Thomas B. Pickens 3d, son of the corporate raider T. Boone Pickens, successfully orchestrated the takeover of the Japan Fund in 1987.

Closed-end funds are diversified, professionally managed portfolios that have a fixed number of shares that trade on a stock exchange. Frequently, the share price trades below the net asset value of the fund, creating a situation ripe for takeover.

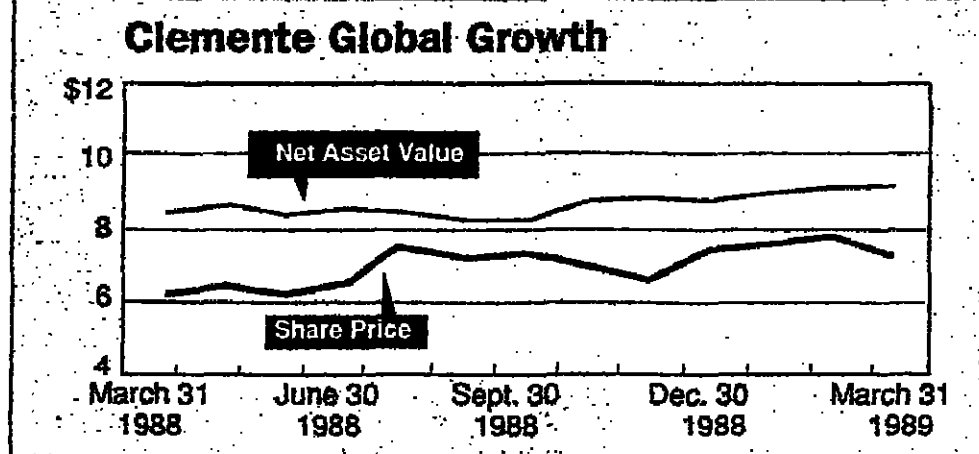
Takeovers are often designed to "open-end" a fund, in effect, converting the portfolio into a conventional mutual fund. This allows investors to redeem shares at full net asset value, rather than selling at the generally lower stock price.

"There are many complicated issues that determine a successful takeover," says Thomas J. Herzfeld, a Miami-based closed-end fund investment adviser. "Professionals have a hard enough time deciphering all the details. For an individual to outguess these matters hinges on luck more than anything else."

This does not mean that the takeover trend is over. Last month, the management of the Cypress Fund went to court to block an open-ending proposal by a group of investors led by Robert Gordon, president of Twenty-First Securities.

But investors must be careful when evaluating a takeover bid.

The \$54 million Clemente Global Growth Fund is



Leo Clemente

a case in point. The fund has been under siege since last July after a group of investors including Mr. Pickens built up a 19 percent stake and made a bid to take control of the assets.

However, from the start, the husband-and-wife management team, Leo and Lilia Clemente, let it be

known that they would not give up control of the portfolio easily. Along with adopting share repurchase programs and an eventual conversion date for the fund, measures commonly taken by funds to win shareholder support in a tender offer, the Clementes took the matter to the courts.

By citing an obscure provision of a 1940 law that prohibits one investment company from owning more than 3 percent of another, the Clementes won a preliminary court injunction in January to prevent Mr. Pickens and his partners, John and Oliver Grace, from moving forward with their tender offer.

## A Play on Perestroika

CLOSED-END fund sponsors have built a brisk business in recent years by packaging single-country portfolios for investors.

Now promoters are taking a look at the Soviet Union, hoping that perestroika could prove an alluring investment theme.

Andy Mukerji, an investment banker and president of the San Francisco Bond Club, says Soviet officials have expressed interest in developing a closed-end fund. It would be modeled after single-country portfolios such as the Korea Fund and could help finance and profit from the program of economic restructuring of the Soviet leader, Mikhail S. Gorbachev.

Under consideration are plans to raise an initial \$100 million through private placements with mutual funds and other institutional investors that would help finance U.S.-Soviet joint ventures. A second offering will be made to individual investors at a later date, depending on the success of the fund.

Specifically, the fund would invest in development projects in areas such as tourism, consumer goods and technology. This would include the construction of airports, hotels and restaurants, as well as manufacturing facilities for a range of products from shoes to personal computers.

Although Mr. Mukerji hopes the fund will be established by the end of the summer, he says many issues still need to be resolved. The biggest obstacle is the non-convertibility of the ruble which prevents easy repatriation of profits.

"There is no track record for investments on anything like a Moscow stock exchange, so we'd rather be slow and cautious and get it off to a good start than to stumble into difficulties," Mr. Mukerji says. Although no official name has yet been granted to the fund, possibilities include the Soviet Fund, the Russia Fund and the Peace and Friendship Fund.

Cynthia Catterson

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## HARD ASSETS

### A Nervous Diamond Rally

By David C. Lanchner

ON MARCH 28, South Africa's De Beers Consolidated Mines increased rough diamond prices 15.5 percent. This was the largest price increase in 11 years and the second one in 12 months, fueling expectations of even more impressive gains.

But rather than celebrate the fact that the market could be in for its biggest rally in eight years, some experts are concerned. They fear that the recent rally may be illusory, with prices dependent on the restrictive policies of suppliers, instead of surging demand. This is a critical factor in a market controlled by a handful of suppliers. De Beers alone controls about 80 percent of worldwide rough diamond sales.

Most experts agree that the fundamentals of the diamond market remain strong. Since 1985, diamond sales have soared in Japan, South Korea and Taiwan. A major reason is that diamonds are priced in dollars and have become steadily cheaper as yen and other Asian currencies have appreciated. Sales have also picked up in Asia because diamonds are only now coming into their own as fashion items.

"Historically the Far East did not go in for diamonds. Now, Western style white weddings and everything that goes with them are becoming increasingly popular," says Mick Oliver, a mining analyst at James Capel in London.

But the growth of diamond sales in the Far East has slowed in recent months due to a fairly stable U.S. dollar and purchases that many analysts believe were put off in deference to the ailing Japanese emperor.

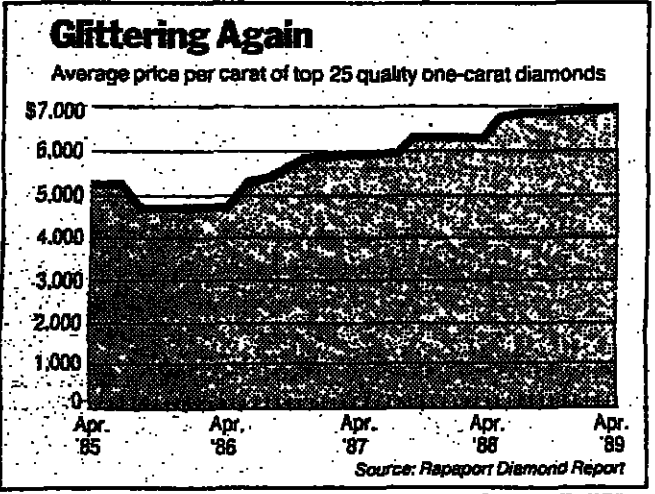
With the recent accession of a new emperor and the imminent abolition of a 15 percent luxury tax in Japan, many expect demand to take off again. In the meantime, some dealers say much of the recent price gains have been brought about by curbing supplies to the marketplace.

The current market tensions can be traced to the stock market crash in 1987. Every five weeks De Beers' Central Selling Organization invites 150 dealers to rough diamond sales, known as "sights." Fearing a sharp drop in demand, De Beers sharply cut back on the number of diamonds sold at sights immediately after the crash. But sales remained strong and demand exceeded supply. The 150 primary dealers were able to purchase 10 percent over the standard markup.

The Central Selling Organization, which is essentially a middle man for most of the world's diamond mines, was then forced to raise prices to keep producers happy. Rather than increase supplies and risk holding unsold inventory, De Beers has kept diamond sights relatively small. This has led to continued primary dealer premiums and price rises.

"De Beers is not waiting for demand to increase. By increasing prices they are acting like a dangerous pied piper," warns Martin Rappaport, a broker and the editor of The Rappaport Diamond Report.

Dealers are afraid that such practices make the market vulnerable. Mr. Rappaport says that De Beers' narrow distribution channel of 150 primary dealers "turns everyone into a mini-monopolist."



As prices start to mount, dealers can push them higher by hoarding supplies. Such speculative demand translates into a flood of selling as soon as the market hits a bump.

This is precisely what happened in 1979. A similar squeeze on the market coupled with high inflation triggered huge increases in diamond prices. Within a year the value of a one carat D-flawless diamond, a widely accepted industry benchmark, multiplied almost fivefold to \$66,000.

By EARLY 1981, the price of a one carat D-flawless fell to \$12,000. While most other types of diamonds have regained their peaks in recent years, the one carat D-flawless has never fully climbed back.

De Beers acknowledges that it reduced available diamond supplies after the October 1987 stock market crash because of the uncertainty in financial markets. A spokesman also concedes that last January's allocation fell short of demand. Still, the company insists it has been adequately meeting demand ever since.

Some analysts agree. "I don't think anything is better researched than diamonds are by De Beers," says Russell Fogarty, head of diamond and jewelry sales at Christie's in New York. Mr. Fogarty acknowledges that the margins between wholesale and retail prices have narrowed, but says that De Beers has not gotten ahead of demand.

But critics say De Beers has set into motion a chain of events that they might not be able to control. "Interest rates or the yen," Mr. Rappaport says, "can affect the market tomorrow, while any change in the supply or price of rough diamonds would take months to work its way through the pipeline of cutters, polishers and retailers."

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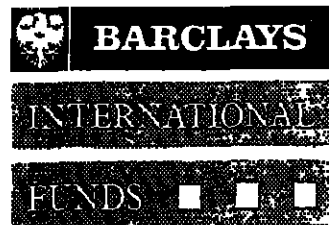
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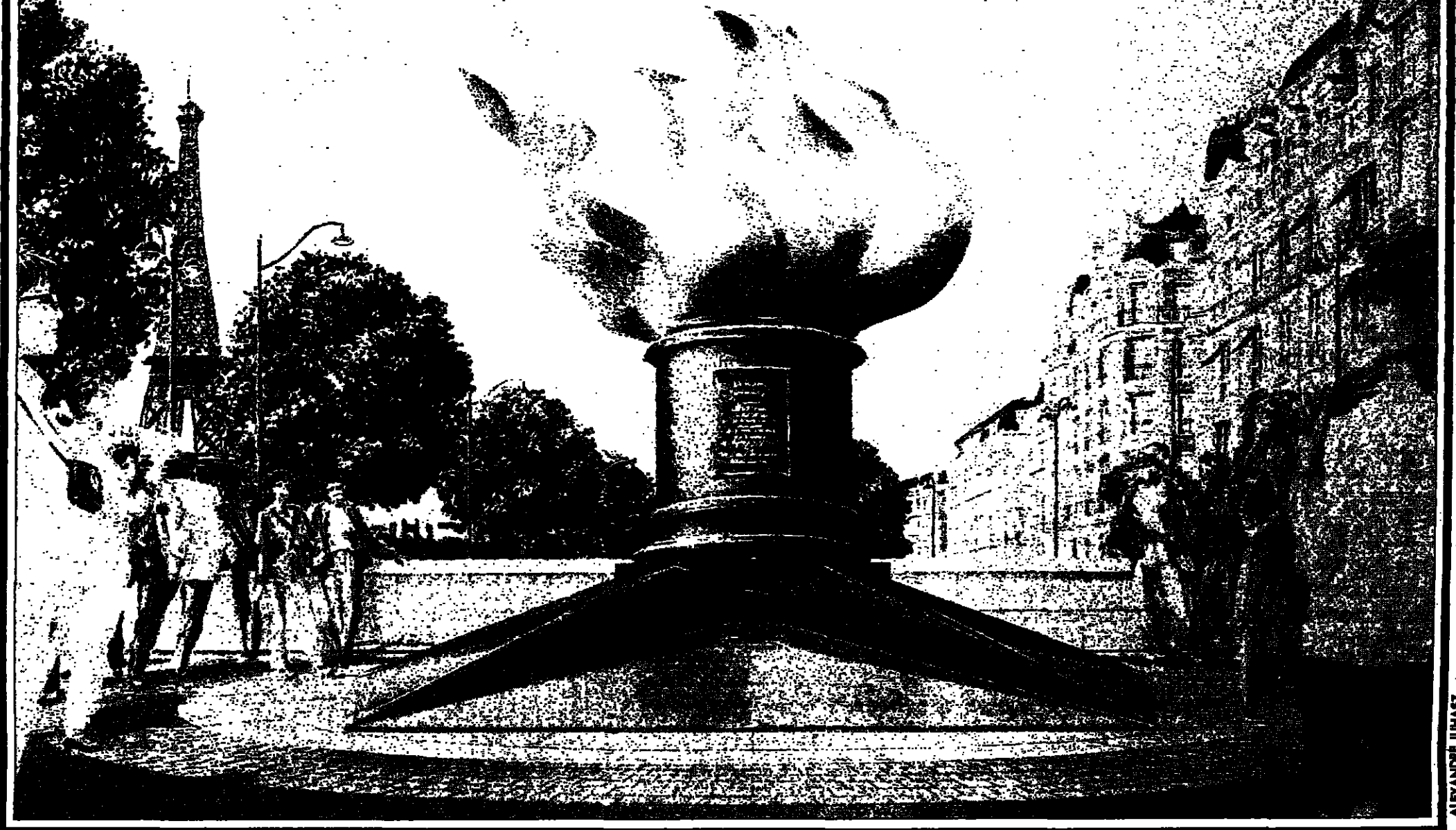
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# Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

## THE PARIS LIBERTY FLAME WILL BE DEDICATED MAY 10TH.



On Wednesday May 10th at 11.00 in the morning, Mr. Jacques Chirac, Mayor of Paris will accept, on behalf of the people of France, the gift of a new monument. The Paris Liberty Flame is a symbolic reaffirmation of two essential principles: the value of liberty in our way of life and the strength of Franco-American friendship. The Flame will stand on the southwest corner of the Place de l'Alma, at the beginning of the Avenue de New York (see map) — a central location which means that the monument will be seen every day by thousands of Parisians and visitors to the city.

The Paris Liberty Flame is the exact duplicate of the golden flame atop the outstretched arm of the Statue of Liberty in New York harbor. It was crafted in the United States by Les Méalliers Champenois, the same group of French artists who worked on the rehabilitation of the New York statue, using the same molds they created for that project.

The monument perpetuates a tradition started more than a century ago, when over 100,000 French citizens contributed to the financing of the original Statue of Liberty.

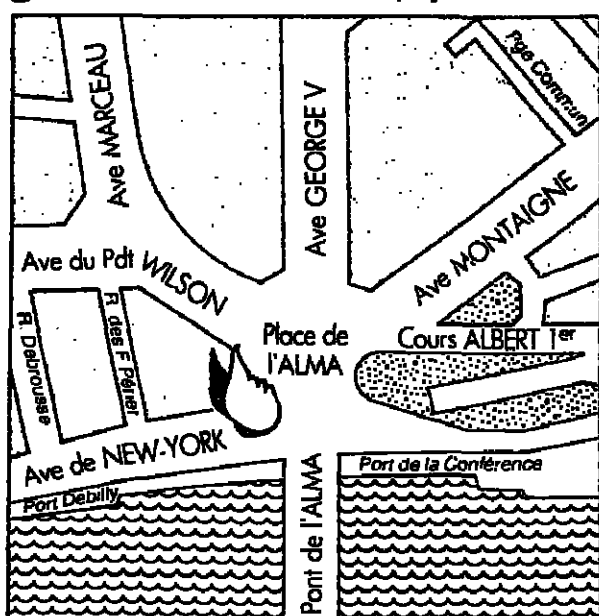
A few years later, a group of Americans then living in France gave as a gift to the French

people the reduced-size replica of that Statue which today stands on the Ile aux Cygnes, just a mile downstream from the new Liberty Flame site.

Three years ago the International Herald Tribune decided to mark the conjunction of its own centennial with that of the Statue of Liberty by sponsoring an international fund-raising appeal to bring the Liberty Flame to Paris. The appeal was launched by US Ambassador to France, Joe M. Rodgers on October 4th, 1986 and was successfully concluded a year later with a glittering benefit evening at the Palace of Versailles.

The fund-raising goal was reached, thanks to contributions from hundreds of individual and corporate donors, large and small. The International Herald Tribune wishes to express its heartfelt thanks to all these generous contributors.

Ever mindful of its own deep Paris roots and of the warm relations it has enjoyed for over a century with the people of France (including many of its own employees, readers and advertisers), the International Herald Tribune is proud to have taken the lead role in the undertaking.





MEDIA MARKETS

U.S. Phone Companies  
Target Electronic Data

By CALVIN SIMS

NEW YORK — After several failed experiments earlier in the decade, the U.S. newspaper industry all but abandoned its quest to develop electronic systems that would allow subscribers to read the news on home video screens. Now newspapers and other vendors of information are being upstaged by the telephone companies, which are seeking to stake claims in the emerging field of electronic publishing.

It is natural that the telephone companies would be attracted to this market. They have something that the newspapers lack: An existing network of wires extending to almost every home in the United States.

The government, however, allows telephone companies only to carry information, not provide it. The phone companies are pressing to have these restrictions removed. But they face strong opposition from newspaper publishers, which argue that the phone companies' control of the medium would give them an unfair advantage if they were also competing to supply the message.

Publishers are especially concerned that the regional phone companies would offer electronic business directories that would bite into advertising revenues.

Last month, legislation was introduced in Congress that would allow the seven regional Bell phone companies to publish electronic information covering a broad range of areas, including computer dating and financial statistics.

Some of the Bell companies, which were spun off from American Telephone & Telegraph Co., already offer other companies information "gateways," or central switchboards, that make the services easier to use.

Separately, AT&T has asked a federal court to allow a 7-year-old restriction that bars it from electronic publishing to expire, as scheduled, on Aug. 24.

"There is a feeling that nirvana would come to the information publishing world with the entrance of the phone companies," said Terry Maguire, senior vice president of the American Newspaper Publishers Association. "That simply may not be the case because these companies have monopoly power and would be in a position to engage in anti-competitive activity."

Newspapers oppose  
allowing the  
controllers of the  
medium to provide  
the message.

ALTHOUGH THE PHONE companies say they have no plans to go into the news-gathering business, their entry into electronic publishing would at least raise the possibility of a powerful new force in journalism. John Pavlik, associate director of research and technology studies at the Gamett Center for Media Studies at Columbia University, said he felt competition from phone companies would be good for the newspaper industry, which has undergone a heavy round of consolidation in recent years.

"I expect that the more people we have out there competing for the story, the better the story will be reported," he said.

But Mr. Pavlik said that if the public came to rely on them for news, phone companies could exert "unparalleled" influence over the information process and could limit the range of opinion that is expressed.

The phone companies say that newspapers have had ample time to develop computerized services. "Their experiments in electronic publishing have been spotty at best," said Gerald Drook, vice president of marketing for Ameritech Corp., the regional phone company that serves the Midwest. "They should allow someone else to fill the gap."

The previous ventures in electronic publishing failed in part because newspapers tried to be both information providers and system operators. Knight-Ridder Inc. and Times Mirror Co. introduced electronic services in 1984 that folded two years later.

The terminals used in many early trials cost consumers more than \$1,000 each and had relatively poor resolution. It was difficult to gain access to the systems, and there were no simple explanations of available services and their costs.

"Newspapers got into the business for the wrong reasons," said Robert L. Smith Jr., executive director of the Videotex Industry Association, a trade group based in Arlington, Virginia. "They were fearful that it would replace them so they jumped in head first not understanding the new technology."

Still, nobody expects electronic newspapers to replace printed versions. Electronic publishing is seen more as a supplement.

Industry observers said that the most economical way to deliver information would be through joint ventures involving newspapers, phone companies and other information providers, as is the case in other countries.

Using simple desktop computer terminals, people in France can easily gain access to inexpensive financial analyses, electronic telephone directories, travel planning, message and other services. Electronic services are also growing rapidly in Britain, West Germany, the Netherlands, Canada, Japan and South Korea.

The Eurobonds column does not appear because Carl Gewirtz is on vacation.

28% Rise  
In Profit  
At Pirelli

Net Consolidated  
For 1988 Report

MILAN — Pirelli SpA, the Italian tire and cables company, on Sunday published its first consolidated profit figures, showing a 28.2 percent rise in 1988 earnings.

The company, which under a restructuring last year took direct control of the industrial activities of the Pirelli group of companies, said consolidated net profit was 282 billion lire (\$203.5 million) in 1988, up from 220 billion in 1987.

Sales rose 25.8 percent, to 9.12 trillion lire from 7.25 trillion. In March, the company reported dollar figures for the sales of \$7.01 billion in 1988, compared with \$5.61 billion in 1987.

A company statement said, "The forecast for 1989 is for a further rise in sales and profits, even if in a more restrained way. The performance of the group's operating company in the first four months of the year was in line with these forecasts."

Pirelli SpA is controlled by the Swiss-based Societe Internationale Pirelli SA, which in turn is controlled by the Pirelli family holding company, Pirelli & C.

Prior to the restructuring, the complex relationship between the various companies in the group prevented the publication of full consolidated accounts.

Last month, Pirelli said it created Pirelli Tire Holding, a new unit in Amsterdam that owns the concern's tire operations. The new unit is to seek a listing on the Amsterdam market and plans a public offering of 20 percent to 30 percent of its shares.

In 1988, Pirelli purchased Armstrong Tire Co. from Armtek Corp. of the United States for \$190 million.

Also on Sunday, Pirelli SpA reported six-month parent company profit of 39.7 billion lire for the period ended Dec. 31 1988, compared with 70.0 billion lire in the full year through June 1988. The six-month span for the latest figures is a transition period to a calendar reporting year.



A British Air Concorde, above, jumbo jet and Sir Colin Marshall, the carrier's chief executive.

British Air: Bigger and Better

Former State Carrier Lands Happily in Private Sector

By Steve Lohr

LONDON — In the early 1980s, British Airways PLC was known for its service — infamously so. One well-known joke at the time was that BA stood for "bloody awful."

At London's Heathrow airport, BA supervisors were renowned as practitioners of "balcony management": they strolled out from their offices onto the balcony overlooking the check-in counters and then scurried back to their desks, rather than go down and risk meeting passengers face-to-face.

Once aboard, many passengers found that service ran the gamut from staid to sordid. As one frequent flyer, Sir John Egan, chairman of Jaguar PLC, recalled, "The attitude was that the customer was an irritating part of the process."

Financially, things were no better. Inefficient and overmanned, the state-owned carrier was showing losses of about \$200 million a year on its operations. When it finally was forced to slash its bloated payroll in financial year 1982, British Airways posted a loss of more than \$920 million, including the settlements paid to laid-off workers.

By then, the Conservative government of Margaret Thatcher had declared its intention to eventually sell British Airways to private investors. At the time, it seemed like the ultimate challenge for the government's privatization doctrine.

Today, the picture could scarcely be more different. Privatized in 1987, British Airways has totally overhauled its image, its service and its financial performance. Indeed, British Airways provides a textbook case of how new management, methods

and attitudes can transform a service company.

But the carrier represents more than a successful turnaround. It is at the forefront of the globalization of the airline industry, as governments worldwide gradually but steadily move to open air travel to increased competition.

Already, British Airways carries more passengers internationally than any other airline, including its larger U.S. rivals, and it is Europe's biggest carrier. The 12-nation European Community, partly forced by America's lead in deregulation and adhering to its own commitment to abolish internal trade barriers by 1992, is moving toward a more free market in air travel — a development that should offer great opportunities to big, efficient European carriers such as British Airways.

In late 1987, British Airways launched a joint marketing program with United Airlines to integrate the two carriers' route networks and flight schedules, in a past regarded as a prototype of the global alliances among airlines that analysts expect to become increasingly common.

Even mergers, despite government curbs on foreign ownership of airlines in most countries, are not out of the question. And these days, British Airways looks like an attractive partner for smaller airlines seeking financial muscle and a secure future. For example, British Airways is talking to Sabena, Belgium's international airline, about forming a partnership by buying a sizable stake in the carrier.

The international trend toward more open skies

See BA, Page 13

WPP Indicates  
It Will Raise  
Bid for Ogilvy

By Randall Rothenberg

NEW YORK — WPP Group, the British parent of the J. Walter Thompson advertising agency, indicated over the weekend that it would raise its bid for Ogilvy Group, intensifying the battle between two of the world's leading marketing and communications companies.

WPP has indicated to Ogilvy's advisers that it was willing to pay at least \$50 a share, or more than \$800 million, for the parent company of the Ogilvy & Mather ad agency, according to people familiar with WPP's plan.

In an April 28 letter, Martin Sorrell, the chairman of WPP, had told Ogilvy's chairman, Kenneth Roman, that WPP would pay \$45 a share, or \$730 million, for the company. At the time, Mr. Sorrell called his offer friendly.

The largest amount previously paid for an advertising company was the \$566 million WPP spent in 1987 to acquire JWT Group Inc., parent of the J. Walter Thompson agency.

Neither Mr. Sorrell nor Mr. Roman would comment on the prospects for a new offer. But Mr. Sorrell did not dispute an account in the Sunday Times of London, which reported that he would formally raise his bid for Ogilvy.

Mr. Sorrell would not say whether he planned to make a formal tender offer for Ogilvy's shares. But he left little doubt that he intended to continue his pursuit of the company best-known for telling consumers that Maxwell House coffee is "good to the last drop" and that American Express charge card "membership has its privileges."

The possible increase in the bid for Ogilvy raises the specter that one of America's best-known ad agencies may become the center of a bidding war between competing suitors. Indeed, The Sunday Times reported that two American investment firms, Kohlberg, Kravis, Roberts & Co. and Weany Capital Corp., had approached Ogilvy with offers above WPP's initial bid. Executives of these companies could not be reached for comment Sunday.

"I get calls all the time," said Mr.

Roman said with some sarcasm. "Everybody wants to help."

People involved in the deal said that between half and two-thirds of Ogilvy's outstanding common shares now are held by arbitrageurs, who essentially make bets on the outcome of takeover battles. Last week, speculation that Ogilvy would be the target of a higher takeover bid prompted heavy trading in the company's stock. The price rose from \$32 before the WPP offer to close at \$49.875 on Friday.

Ogilvy's fight to stay independent — and WPP's desire to acquire a second international advertising network to complement Thompson — has evolved into a public shouting match between the two sides over their profit margins.

Mr. Sorrell has said he can raise Ogilvy Group's profit margins from its current 7.9 percent to the advertising industry's average of 10 percent and then, in short order, to 12 percent. In the two years he has owned J. Walter Thompson, its margins have improved from around 4 percent to 10 percent in the second half of 1988.

Mr. Roman disputed Mr. Sorrell's calculations.

"Our advertising margins are better than his," he said, noting that Ogilvy's 1988 profit margins in advertising were 9.7 percent, and 12 percent in the second half of the year, when advertisers typically increase spending.

Mr. Roman said Ogilvy's lower-than-average margins were due to poor performance by its recently organized domestic sales-promotion and international market-research operations.

"I'm asking how WPP shareholders are going to pay for this without hurting client service," said Mr. Roman.

Mr. Sorrell said Mr. Roman's figures were "specious."

"He's saying, if it weren't for the existence of one part of my business, my margins would be higher."

Clients of both Ogilvy and J. Walter Thompson have expressed their displeasure with the hostilities, and several large Ogilvy clients have said they would put their accounts in review.

Traders Investigated  
For 'Front-Running'

By Kurt Eichenwald

NEW YORK — An important focus of last week's official sweep through New York commodity markets is on the commodity traders' equivalent of insider trading, according to people involved in the inquiry.

In the trading practice known as "front-running," a broker who trades for both his own account and customers' accounts takes advantage of his knowledge of a customer's order and executes his own trades before trading for the client. Through such a move, the trader is able to take advantage of the subsequent change in market prices.

The investigation into front-running is one of several parts in the inquiry, which is also exploring trades that were allegedly made to gain tax benefits illegally.

The investigation into futures trading activities in New York was disclosed on Thursday when a number of traders, as well as four commodity exchanges, were served with subpoenas by investigators of the Commodity Futures Trading Commission, which regulates the commodities exchanges. In addition,

postal inspectors delivered search warrants to at least two offices as part of a grand jury investigation of trading practices at the exchanges.

The inquiry is focusing on trading at the New York Mercantile Exchange, the Commodity Exchange Inc., the Coffee, Sugar and Cocoa Exchange, and the Cotton Exchange. All four exchanges share their trading floor at the World Trade Center complex in lower Manhattan.

According to people with knowledge of the CFTC's formal order of investigation, the commission is also examining whether those subpoenaed had engaged in "wash trades." In such deals, trades are made to create bogus losses so investors can claim tax benefits, force the price of commodities in a particular direction, or gain some other advantage. Such trading is illegal under the terms of the Commodity Exchange Act.

However, the investigation of front-running is potentially the most significant aspect of the inquiry. Many of the traders subpoenaed had personal connections, according to people involved in the inquiry.

U.S. Rescinds Support  
Of Japan HDTV System

By John Burgess

WASHINGTON — The U.S. government has abandoned an earlier endorsement of Japanese technology as the standard for high-definition television studio equipment.

U.S. negotiators attending an international standards conference in Geneva this week will argue for not adopting a standard until 1994, on the grounds that agreement is not currently possible and that a superior system may emerge by then.

The shift, announced by the State Department, had been expected, as the international debate was stalemated and Congress and the U.S. electronics industry had been urging the United States to chart its own course in development of HDTV, an emerging generation of television that has picture and sound quality comparable to those of motion pictures.

The standard in question involves cameras and other equipment used by studios in producing HDTV programs.

In the 1970s and early 1980s, Japan developed its studio standard, known as 1250-50. The standard was devised in competition with the United States, which won a number of changes in it. Japan

has since begun production of the equipment, which is now being used by four U.S. studios.

In 1985, the U.S. government formally endorsed world adoption of 1125-60, based on recommendations from the Advanced Television Systems Committee, an advisory group that includes companies from the U.S. broadcasting, film and electronics industries.

The rationale was that early agreement on a standard would facilitate international programming exchanges. This would aid foreign sales by the U.S. film and video industry, which now generates an annual trade surplus of \$3 billion.

But as the development of HDTV has emerged as a major issue of international competitiveness, that stance has been criticized as shortsighted on the grounds that it would give Japanese companies an advantage in producing HDTV equipment. Last month, the advisory committee revised its position, leading the State Department to follow suit.

Europe, meanwhile, has devised its own studio standard, known as 1250-50, and, as with Japan, has been pressing for worldwide adoption of it. Equipment based on it exists only as prototypes.

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**OVERVIEW OF RESULTS**

1988	1987	1986
US\$ M.	Dfls M.	Dfls M.
7,915	14,025	11,796
3,048	Investment and other activities	6,995
10,063	Revenue	20,120
3,920	Net assets	7,299
394	Net profit	787
	Per share of Dfls 2.50:	
US\$	Dfls	Dfls
2.19	Net Profit*	6.38
1.60	Dividend*	2.79
1.40	Dividend as declared	2.80
31.19	Shareholders' funds*	62.36

(\*adjusted for capital movements)

Exchange rate (US\$ = 1 mark)

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The dividend for 1988 was set at Dfls 2.80 per share.

**EXPECTATIONS FOR 1989**

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**MORE INFORMATION**

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Currency Rates

Currencies	May 5	May 8
Australian	1.385	1.374
Belgian	1.385	1.374
British	1.385	1.374
Canadian	1.385	1.374
French	1.385	1.374
German	1.385	1.374
Italian	1.385	1.374
Japanese	1.385	1.374
Netherlands	1.385	1.374
Swiss	1.385	1.374
U.S.	1.385	1.374

Other Dollar Values

Currency	Per \$	Per 100
Argentine	12.00	12.00
Australian	1.385	1.374
Belgian	1.385	1.374
British	1.385	1.374
Canadian	1.385	1.374
French	1.385	1.374
German	1.385	1.374
Italian	1.385	1.374
Japanese	1.385	1.374
Netherlands	1.385	1.374
Swiss	1.385	1.374
U.S.	1.385	1.374

Last Week's Markets

Stock Indices	May 5	May 8
DJ Industrial	1,127.85	1,127.85
DJ Trans.	1,127.85	1,127.85
S & P 500	1,127.85	1,127.85
NVSE Ind	1,127.85	1,127.85
NVSE Com	1,127.85	1,127.85
NVSE Fin	1,127.85	1,127.85
NVSE Ind	1,127.85	1,127.85
NVSE Com	1,127.85	1,127.85
NVSE Fin	1,127.85	1,127.85
NVSE Ind	1,127.85	1,127.85
NVSE Com	1,127.85	1,127.85
NVSE Fin	1,127.85	1,127.85







## New International Bond Issues

Compiled by G. Jennifer Shapiro

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
<b>FLOATING RATE NOTES</b>						
Bradford & Bingley Building Society	£150	1994	1 1/16	100	99.77	Over the 3-month Libor, Callable at par in 1992 on every coupon date. Fees 0.30% (Credit Suisse First Boston).
<b>FIXED COUPON</b>						
Kaufhof Finance	DM 100	1992	8 1/4	100	99.00	Noncallable. Fees 1.00%. The issuer has the option to redeem at maturity in either Deutsche Mark or U.S. Dollars at a fixed rate of 1.69 Mark per dollar. (Commerzbank)
General Motors Acceptance	ECU 100	1992	9	101 1/4	100.12	Noncallable. Fees 1.00% (Banque Paribas Capital Markets).
General Electric Credit Corp.	ECU 200	1994	8 1/4	101 1/4	100.00	Noncallable. Fees 1.00% (Banque Paribas Capital Markets).
Shell Canada	CS 125	1994	11	101 1/4	100.25	Noncallable. Fees 1.00% (Wood Gundy).
State Bank of Victoria	CS 75	1992	11	101 1/4	100.25	Noncallable. Fees 1.00% (Goldman Sachs Int'l).
Westfalia International	CS 75	1994	zero	60 1/2	58.70	Noncallable. Fees 1.00%. Redeemable at borrower's option in Marks at a fixed rate of 1.99 DM per 1,000 Canadian dollar bond of maturity. (Westfalia Deutsche Landesbank Girozentrale).
Australian & New Zealand Banking Group	NZ\$ 60	1992	14	101 1/4	100.37	Noncallable. Fees 1.00% (Pemberton Bank).
Quanta Airways	¥10,600	1999	5.20	102	—	Redemption by 13 Semi-annual installments of 742 million yen each, culminating at ¥54 million yen at maturity. Noncallable. Fees 2.00%. Denominations 1 million yen. (Mitsubishi Finance Int'l)
<b>EQUITY-LINKED</b>						
Furukawa Electric Co.	¥300	1993	open	100	105.25	Coupon indicated at 4.00%. Noncallable. Each ¥5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.00%. Terms to be set May 10. (Nomura Int'l)

## Iran Restarts Oil Exports At Abadan

The Associated Press

NICOSIA — Iran's Abadan oil refinery, once the world's largest, resumed exports over the weekend after an eight-year lull, the official Islamic Republic News Agency reported.

The agency, monitored in Nicosia, said Saturday that a 10,000-ton shipment of fuel oil from the refinery left the Bandar Mahshahr port, but did not say where the shipment was headed.

The refinery, located only a few miles from the border with Iraq, shut down soon after the Iran-Iraq war broke out in September 1980. The 3,200-acre (1,290-hectare) complex was heavily shelled by Iraqi artillery during the war. More than 150 personnel were killed and lost production was estimated to be worth about \$9 billion.

About 6,000 technicians and specialists started round-the-clock repair work at the refinery immediately after a United Nations-sponsored cease-fire was called in the Gulf war last Aug. 20.

Production resumed April 1 with an initial capacity of 130,000 barrels a day of oil products, IRNA said. Capacity is expected to rise later this year and to reach 360,000 barrels a day in the next two to three years. Before the war, the refinery was producing 650,000 barrels a day.

## Occidental Plans Replacement Rig

Reuters

ABERDEEN, Scotland — Occidental Petroleum Corp., operator of the Piper Alpha oil platform that blew up last July, killing 167 men, has announced plans to open a replacement North Sea rig by 1992.

Occidental said Saturday that it would ask the British government for permission to replace Piper Alpha, which was situated above a field with estimated oil reserves of 119 million barrels. A public inquiry into the Piper disaster, the world's worst offshore oil incident, is under way in Aberdeen.

The exact location of the new platform has yet to be decided, but the company said it would be well away from the wreckage of its predecessor.

## BA: Former Government-Owned Airline Lands on Its Feet in Private Sector

(Continued from first finance page)

will force a consolidation in the industry, airline executives and analysts agreed. And the push today in the industry is to become a "global airline" or at least a key member of the global groupings of airlines, typically linked by shared computer reservation systems, that are beginning to emerge.

The strong international position of British Airways owes much to its extraordinary comeback. Recognizing the deep-seated problems of the national carrier, Mr. Thatcher installed John King, a veteran industrialist who later was awarded a peerage, as chairman of British Airways in 1981.

A blunt-spoken Conservative Party loyalist, who shared Mr. Thatcher's belief that British industry needed drastic reform to become competitive, he sliced the British Airways work force from 50,000 to 36,000.

The cutbacks were wrenching, but most analysts agreed that they were long overdue and necessary if the airline was to have any hope of becoming profitable. Created in 1972 by the merger of British European Airways and British Overseas Airways Corp., the British Airways management had shied away from rationalizing the airline, until Lord King took over.

Lord King wanted to send the message throughout the airline that he was making a clean break with the past by jettisoning some long-time suppliers and hiring a new advertising agency, the up-and-coming Saatchi & Saatchi PLC, to overhaul the British Airways image. Its eye-catching campaign, with the slogan "The World's Favorite Airline," was hailed in the advertising community as a slick, innovative and a groundbreaking example of a global marketing plan.

Still, British Airways needed a lot more than just image-burnishing and cost-reduction. So, in 1983, Lord King and the board brought in a new chief executive: Colin Marshall, a seasoned marketing professional who was formerly a senior executive at Avis Inc. and Sears Holdings PLC, a big British retailing concern that is not related to Sears, Roebuck & Co. of the United States. For his work at British Airways,

he was knighted, becoming Sir Colin Marshall. Sir Colin, now 55, was selected an outsider to change the entire orientation of British Airways. When he came aboard, he recalled, his experience with airlines was "a lot from the other side of the fence — as a frequent traveler." For a marketing executive, his early meetings with senior British Airways executives were a rude awakening.

"There was very little understanding of what the passengers wanted and what the marketplace was all about," Sir Colin recalled. "And 'marketing' was a word that did not exist in the company. They had a commercial director, but no marketing director."

With all the layoffs, staff morale had hit rock bottom. To boost it and signal a change in direction to customers, British Airways planes were repainted, workers got redesigned uniforms, the company got a new insignia and a new motto, "To Fly, To Serve." Then, the drive to improve service began in 1984, with the introduction of its "Putting People First" program. The two-day workshops for employees, designed for British Airways by Time Magazine Inc., a Danish company, with the aim of instilling in workers the ethos of service. Other workshop programs followed.

Undoubtedly, two other forces serve to encourage a more team-like attitude today at British Airways: The fact that 94 percent of the employees bought shares in the company when it was privatized in 1987, and that virtually all the workers are on some form of profit-sharing program. In short, the workers have a direct financial stake in the company's performance.

Worker teams have been instrumental in coming up with solutions to upgrade service. For example, just over a year ago, British Airways focused on improving its business-class service, a high-profit-margin market for airlines.

When serving meals on intercontinental flights, one team suggested offering starters, main courses and coffee on separate trays. Thus the number of customer contacts is increased, giving the passenger a sense of receiving personalized service.

## FUTURES: Subpoenaed Traders Had Connections

(Continued from first finance page)

Attention began to focus instead Friday on the few traders who were known to have received subpoenas. Among them was Mark Fisher, a young trader whose offices were searched Thursday by the postal inspectors. The inspectors seized a number of documents during the course of their investigation.

Other traders who were frequently spoken about by their colleagues on Friday included Preston

city of Pennsylvania, graduating between 1980 and 1982. The three were said to have been only vaguely acquainted at the university, but became close after they began to trade at the exchanges.

Mr. Dickstein and Mr. Efron have been implicated in another investigation that was conducted by the Securities and Exchange Commission. That inquiry examined whether former University of Pennsylvania students traded inside information about undisclosed takeover deals. No charges were filed as the result of the case.

Mr. Fisher also has a connection with Mr. Semel. According to people with knowledge of the inquiry, both men were investigated by the Comex for having engaged in pre-arranged trades in violation of exchange rules in 1983.

In pre-arranged trades, traders reach an illegal, private agreement about the sale price of a commodity without allowing competing traders to bid.

As part of his penalty in the Comex inquiry, Mr. Fisher paid \$60,000 in fines. Mr. Semel paid \$75,000 in fines and was suspended for 60 days, according to a Comex spokesman.

Mr. Semel has also had other action taken against him. In 1985, he was charged with the CFTC that he had engaged in wash trades and other illegal transactions, paying a fine of \$5,000.

Mr. Semel is also currently under investigation by the Comex for a wide range of potential trading abuses, including front-running, according to people familiar with this inquiry. These sources said that the potential fine faced by Mr. Semel could be as large as \$500,000.

Robert McGrath, a spokesman for the exchange, said that he could not comment on an active investigation before the filing of final disciplinary actions.

In an interview, Melvin Brostman, one of Mr. Fisher's lawyers, said his client had not violated any laws.

Mark Fisher is probably one of the largest traders among people who trade for their own accounts," Mr. Brostman said. "Anybody in that position is likely to make some people angry, and we think that this investigation may be the result of one or more ill-placed potshots."

A telephone message left for Mr. Semel was not returned. Mr. Dickstein and Mr. Efron could not be reached for comment.

On a London-New York flight, the business-class passenger now receives 16 personalized contacts, or "touches," from a stewardess. Intercontinental travelers will also notice the British Airways seats in business class offer a footrest when reclined. The seat design was chosen by putting employees, including senior executives, into otherwise empty rooms and studying their sleep patterns overnight.

British Airways has invested \$43 million to upgrade its business-class service and it has paid off business-class traffic on intercontinental flights is up 20 percent and European business-class traffic had 9 percent since the program was put in place. A similar \$41 million effort to spruce up first-class service has just begun, which includes giving each passenger an individual video screen and a viewing choice of almost 50 programs.

The service upgrading is an investment aimed at increasing the British Airways share in key markets as part of its broader goal of aggressive expansion. Most analysts expect the global trend toward deregulation to prompt a consolidation in the industry.

Although the timing of the shakeout depends on the speed with which governments abolish restrictions, it should follow the pattern common to most deregulated industries: the large, efficient operators get bigger; small, specialized companies thrive by focusing on "niche" markets; and middle-sized concerns are forced to merge or go out of business.

The marketing joint venture with United Airlines is a key element in the British Airways global strategy. British Airways initiated discussions with United in 1984, and the joint program was started in 1987. Under the pact, the two airlines have coordinated their ticketing, schedules and baggage handling.

For British Airways, the move has effectively opened a gateway to the 150 American cities served by United. British Air uses United's terminals in Chicago, Washington and Seattle; United uses British Airways terminal at New York's John F. Kennedy airport.

Sir Colin will only say that the joint pact has produced "good increases in traffic for both of us."

## Bank of China Is Expanding to Guard Its Turf

Reuters

HONG KONG — After years of gradual expansion, the normally secretive Bank of China is moving faster now with a program to make its mark outside of China, according to a senior bank official.

"BoC has to expand," said the senior, Hong Kong-based official. "Many other state banks have asked to engage in the foreign-currency business and open branches in overseas markets. It is a threat to the status of BoC."

As other Chinese state banks press for the right to open overseas branches, the pressure on Bank of China can only increase.

The bank has already upgraded its office in Frankfurt and aims to open branches in New Zealand and in Canada. Over the last four years, it also has opened branches in Tokyo, Sydney and Los Angeles, and expanded its branches in London, New York, Paris, Hong Kong, Luxembourg and Singapore.

The bank, which is capitalized at \$3.5 billion, had assets of \$81 billion and posted a pretax profit of \$1 billion in 1987, the latest year for which figures are available.

But if Bank of China is still a small operation on an international level, it is a major presence in Hong Kong. It has control over about 300 branches, up from 130 four years ago, and accounts for 20 percent of

## Chinese Ministry Is Sued

Reuters

BEIJING — A Chinese government ministry, the Machinery and Electronics Ministry, is being sued in court for the first time since 1949, according to the People's Daily newspaper.

The claimant, CITIC Industrial Bank, a unit of China International Trust & Investment Corp., is asking the Beijing High Court to award it damages and legal costs over alleged nonpayment of money for leased equipment, the official newspaper said Saturday. The bank said it spent \$2.2 million to import U.S. equipment to produce electric circuits for lease to State Factory 749, a unit of the Electronics Industry Ministry acting as guarantor.

The bank said the factory reneged on the contract and did not pay for the equipment. It has demanded that the factory and the ministry pay for the equipment and legal costs. The Electronics Industry Ministry was later merged into the Machinery and Electronics Ministry.

all deposits in the colony. Its expanding role has been highlighted by the new, 72-story Bank of China building, which towers over Hong Kong's many other skyscrapers.

Some bankers say Bank of China could become a major rival for the colony's semi-official central bank, Hongkong & Shanghai Banking Corp., though it does not yet have the expertise to handle sophisticated corporate deals.

"Obviously it is more active than a few years ago," a U.S. banker said. "It has good experience in

opening a Toronto branch depend on a reciprocal arrangement for Canadian banks, but the official said an agreement is expected.

Bank of China has for decades been the only Chinese bank allowed to handle foreign-currency business in and out of China. It is also the only bank that can open branches in other countries.

But other Chinese state banks are "eager to compete with BoC," said the bank official. "They have far more branches than BoC on the mainland of China."

The Industrial and Commercial Bank of China, the People's Construction Bank of China and the Agricultural Bank of China have all asked to open branches in Hong Kong, said a source in close contact with Chinese banking.

"Hong Kong is an important bridge for them to step out to the international market," he said. "It's wise for BoC to protect itself now."

In a move bankers say may help fend off its Chinese rivals, Bank of China recently acquired six Hong Kong-based banks.

National Commercial Bank, Kinchen Banking Corp. China & South Sea Bank Ltd., Sin Hua Trust, Savings & Commercial Bank, Hua Chiao Commercial Bank and the China State Bank Ltd. all have nominal registration in Beijing.

## U.S. Repeats Attacks on Korean Won

By Peter T. Kilborn

New York Times Service

WASHINGTON — U.S. officials have complained that South Korea continues to maintain its currency at an artificially low level, which gives it a trade advantage against the United States.

In testimony before the Senate Banking Committee, Treasury Secretary Nicholas F. Brady and David C. Mulford, the nominee for Treasury undersecretary for international affairs, also criticized West Germany, though much less harshly, and made favorable comments about Taiwan, which had been a frequent target.

West Germany has agreed to make changes in its economy to stimulate more domestic spending and reduce the country's dependence on exports for growth. But the nation's trade surplus reached a record level last year and is expected to rise further this year. "In Germany, progress has been less than satisfactory," Mr. Mulford said.

Mr. Mulford also said he had been repeatedly rebuffed by Seoul in his requests to visit to discuss the currency issue. He added that he had been told domestic political sensitivities in South Korea made such a visit impossible.

Officials at the Korean Embassy in Washington said Deputy Prime Minister Soon Cho had visited Mr. Brady and Mr. Mulford on Wednesday. But they added that Mr. Cho might not have known of the refusals to admit Mr. Mulford to South Korea, and that the U.S. official would be invited to Seoul in the future.

The Korean officials said the won had reached a satisfactory exchange rate, and they cited similar conclusions by private American economists. On Friday, the currency was quoted at 663.90 to the dollar.

The U.S. administration faces a May 30 deadline for identifying countries that trade unfairly with the United States. With that date looming, numerous foreign officials have been descending on Washington.

Mr. Mulford said that he was making some progress with South Korea in negotiations in Washington, and in other ways was pressuring the country.

"I think if you're about to visit a foreign country and they ask you not to come, then you shouldn't turn up," he said. "I think arriving in a country and causing a reaction that might involve violence, for example, would be something that I would shy away from."

The Americans have complained that South Korea artificially holds down the value of the won. This makes Korean exports cheaper in the United States than they would be otherwise and American exports more expensive in Korea.

Economists call this currency manipulation, as opposed to currency management, which most countries practice to prevent turmoil.

In a study in October, the U.S. Treasury accused South Korea, as well as Taiwan, of such manipulation.

In a report last week, the Treasury said that both had acted to limit the manipulation.

## IBM to Unveil 2 New Models In PS-2 Line

New York Times Service

NEW YORK — International Business Machines Corp. plans to introduce two long-awaited models in its Personal System-2 line on Tuesday, according to industry executives.

One of the computers will be a portable based on the Intel 386 microprocessor. The machine has been anticipated by many industry observers for months.

The IBM portable will compete directly against the Compaq Portable III, a popular portable machine.

A second IBM model, a desktop computer, which may be labeled the PS-2 Model 55, will be based on a more economical 386SX microprocessor chip. The chip matches many of the features of the full 32-bit system, but permits computer manufacturers to design less expensive machines.

## Friday Rally on Jobless Data Erased Most of Loss in Week

NEW YORK — U.S. Treasury bond prices edged lower last week, despite a rally Friday sparked by an unexpectedly sluggish report on April unemployment levels.

The bellwether 30-year Treasury bond due in May 2019 edged down to a price of 99 10/32 from 99 14/32 a week before. That raised its yield to 8.94 percent from 8.93 percent. But the issue was up 17/32 from its Thursday close after having traded more than a point higher early Friday before its gains were pared as investors sought to square positions ahead of the weekend.

The Labor Department said Friday morning that the jobless rate in April rose to 5.5 percent from 5.0 percent in March, and that non-farm payrolls last month grew by only 117,000. Forecasts had called for no change in the overall jobless rate and an increase in nonfarm payrolls of 220,000 to 240,000.

The employment data reinforced market perceptions that the economy was slowing and raised hopes that the Federal Reserve Board was a little closer to a position of actually easing credit conditions.

Some market participants suggested that the settlement of the Bethlehem Steel Corp., contract,

## Mexican Debt Talks Adjourned for Week

By Jonathan Fuerbringer

New York Times Service

NEW YORK — Mexico and its commercial-bank creditors have adjourned debt negotiations for this week to consider a proposal from the lenders that would offer the country less advantageous terms than it had sought.

Bankers involved in the discussions said they would propose a lower discount than Mexico wants on existing loans to be exchanged for new debt. The Mexicans have proposed discounting existing loans by 55 percent of their value, then swapping these for new securities with market interest rates.

The bankers also seek conditions for new loans. Instead of giving the money directly to the country, the banks would require the government to allow them to use some of the funds to finance trade with Mexico.

William R. Rhodes, a Citibank executive who is chairman of a negotiating committee representing the banks, said in a statement, "We have worked with Mexico for several weeks, and we now need time to work among ourselves, while the Mexicans return for consultations. Our common goal is to move ahead as rapidly as is reasonably possible."

In its original proposal, Mexico asked for \$4 billion to \$4.5 billion a year over six years, in a package that would include a reduction of either the principal or the interest rate on existing loans, as well as providing new money.

The bankers have said the request is too high, in part because the Mexican government's assumption about future oil prices is too low. The bankers also objected to Mexico's plan to use some of the \$4 billion to increase certain imports in an attempt to lower its domestic inflation.

Bankers involved in the negotiations said Mexico's separate request for interim financing had been rejected because it would take too long to negotiate and would delay the more important long-term talks.

They also rejected the request because many of the banks were worried that the Mexicans might say they could not meet the interest payments on the interim loans until the longer-term package was settled.

A banker said the adjournment should not be taken as a sign that the talks were not going well.

In its proposal to the banks, the Mexican government has assumed the price of oil would be around \$12 a barrel, though it is now about \$20. Mexico is a major producer of petroleum, and the bankers said the higher crude prices would reduce the country's borrowing needs.

U.S. CREDIT MARKETS

Donald H. Straszheim, chief economist at Merrill Lynch Capital Markets, said the unemployment numbers "were well above market expectations." But he added, "Don't expect the Federal Reserve to start easing credit soon. It won't because there is a strong underlying inflation trend." (UPI, NYT)

## Euromarts At a Glance

Eurobond Yields

	May 5	Apr. 26
U.S. 6 yrs & over	9.52	9.52
U.S. 5 & 10 yrs	9.54	10.01
U.S. 3 mos 3 yrs	9.00	9.00
French 3 mos 3 yrs	11.20	11.20
French 3 mos 3 yrs	8.52	8.79
Ital. 3 mos 3 yrs	11.48	11.47
Spanish 3 mos 3 yrs	12.70	12.66
ECB, 6 yrs & over	8.70	8.88
ECB, 5 & 10 yrs	8.78	8.89
Can. 3 mos 3 yrs	10.00	10.00
Am. 3 mos 3 yrs	15.50	15.50
M.T. 3 mos 3 yrs	14.00	14.00
Yen 3 yrs	5.20	5.20
Yen 5 yrs	5.20	5.20

Source: Luxembourg Stock Exchange.

## Weekly Sales

	May 5	Apr. 26
Strawberries	8.00	79.10
Oranges	6.25	79.10
FRNs	11.70	21.50
ECU	2.00	18.50
Total	2,000.00	1,079.30

	May 5	Apr. 26
Strawberries	4,200.00	1,042.20
Oranges	3,600.00	4,720.00
FRNs	9,940.00	1,283.50
ECU	3,979.00	763.20
Total	8,577.00	10,448.90

Source: Euroclear, Credit.

## Libor Rates

	May 5	Apr. 26
U.S. 1-month	9%	9 1/4%
U.S. 3-month	9 1/4%	9 1/4%
U.S. 6-month	12 1/4%	12 1/4%
French 3 mos	11 1/4%	11 1/4%
ECU	8 1/4%	8%
Yen	4 1/4%	4 1/4%

Source: Morgan Guaranty, Lloyds Bank, Reuters.

## Treasury Bonds

	May 5	Apr. 26
30-year	100 1/2	100 1/2
20-year	100 1/2	100 1/2
10-year	100 1/2	100 1/2
5-year	100 1/2	100 1/2
2-year	100 1/2	100 1/2
1-year	100 1/2	100 1/2
6-month	100 1/2	100 1/2
3-month	100 1/2	100 1/2
1-month	100 1/2	100 1/2

Source: Solomon Inc.

## U.S. Consumer Rates

	May 5	Apr. 26
1-year	7.34%	7.34%
3-year	9.57%	9.57%
5-year	10.00%	10.00%
10-year	10.00%	10.00%
15-year	10.00%	10.00%
20-year	10.00%	10.00%
25-year	10.00%	10.00%
30-year	10.00%	10.00%

Source: New York Times.

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(Continued on next page)







# MONDAY SPORTS

## Soviet Hockey Star Says Fears About Future Led to Defection

The Associated Press

**BUFFALO, New York** — In his first public appearance since defecting from the Soviet hockey team, Alexander Mogilyov said Sunday that he had come to the United States to secure his future.

"I have to think about the time when I no longer will be playing hockey," Mogilyov said through an interpreter provided by the Buffalo Sabres, the team he hopes to join in the National Hockey League. "So thinking about the future, I'm doing what I have to do now while I'm still young and strong."

Although the Sabres' general manager, Gerry Meehan, would not allow him to answer some questions about how and why he had left the Soviet Union, Mogilyov, 20, questioned the right of Soviet authorities to make decisions about his hockey future.

"Why should they do my thinking for me?" he asked. "Why should they be the ones to decide?" Mogilyov said reports from the Soviet Union calling him selfish sidestepped the corresponding issue of what becomes of him when his playing days end.

"I've heard they write that I think only of myself," he said. "But who is thinking about me when I finish playing hockey in the Soviet Union? They don't think about that."

He said his life "has undergone great changes," adding, "the changes are for the better."

Mogilyov did respond to questions about a romantic relationship with an American college student



Gerry Meehan, Sabres' general manager, at a news briefing on Alexander Mogilyov's defection.

he met in Alaska at the World Junior Championships last winter.

"That has nothing to do with it," he said. "She's just a friend — an acquaintance."

The right wing said he had not heard reports that his mother was angry at him for leaving the Soviet Union, but added, "I'm a grownup now. I have to make my own decisions about my life."

He said he had been thinking about leaving the Soviet Union for about a year.

"But circumstances didn't make it possible," he said. "It's very hard to take a step like that. I fought it out for some time."

The anguish involved in making the decision was one reason for his poor performance in Stockholm, he said.

The Soviet Union won the world title last week, but Mogilyov, known for his offensive skills, had no goals and three assists in 10 games. After that tournament, Mogilyov, through an unnamed intermediary, allegedly contacted the Sabres and said he wanted to leave.

"You must understand," he said, "the thought about coming here didn't give me any peace. I wasn't thinking about the game."

Mogilyov acknowledged that he had recently been stripped of his Master of Sport order and docked a month's pay after receiving a 10-game suspension for fighting in a Soviet league game.

Soviet authorities may press desertion charges against Mogilyov, who was a junior lieutenant in the Soviet Army. The newspaper Sovetsky Sport quoted a Moscow prosecutor on Sunday as saying that Mogilyov was under investigation for desertion.

"If the crime is confirmed, I think we will ask for extradition of the officer," said Colonel Leonid Obyedkov, prosecutor for the Moscow garrison. "Evasion of military service and desertion is considered to be a grave crime in all countries."

One question now is whether Mogilyov will be allowed to play in the NHL.

The Sabres still have to clear up his status with U.S. immigration officials. He is in the United States on a seven-day "probationary" status, and the team will have to take further action before Friday.

Meehan declined to say whether Mogilyov would apply for asylum, adding that he was exploring the available options.

The NHL also must approve Mogilyov's contractual agreement with the Sabres, who made him the highest-drafted Soviet player when they picked him on the fifth round of last year's draft.

## Flames and Canadiens Move Ahead Decisively

The Associated Press

Joe Mullen scored two goals, including one into an empty net, as the Calgary Flames defeated the Chicago Blackhawks, 5-2, Saturday night in Chicago in an NHL playoff game that spilled over into a series of fights after the game.

Calgary's Jim Peplinski and Chi-

ago's Dave Manson were given game misconduct citations.

The victory gave the Flames a 2-1 lead in the best-of-seven semifinal series. Chicago hosts Game 4 Monday night.

Coach Mike Keenan of the Blackhawks was angry over an injury suffered by Wayne Presley when he was checked by Calgary's Al MacInnis during a Chicago power play.

"Presley is out for the season with a dislocated shoulder and no penalty was called," Keenan said. In the second period, Manson was penalized for holding at 7:16 and Troy Murray for cross-checking at 7:39. Theorem Flurry scored at 8:07 to give the Flames a 3-1 lead.

Calgary coach Terry Crisp blamed the postgame activity to "frustration."

"There were some spear jobs and sticks that were not called," he said. "Temper flares. It happens."

Hakan Loob's tip-in of Gary Roberts' shot at 11:46 of the third period clinched the victory and

Mullen's empty net goal came at 19:16. Mullen and Joe Nieuwendyk scored first-period goals.

Mullen, who left the game for a while in the second period after being speared by Murray, got his revenge when he completed the scoring by putting the puck into the empty net with 46 seconds remaining.

Canadiens 5, Flyers 1: In Philadelphia, Shayne Corson and Bob Gainey scored less than three minutes apart early in the second period as Montreal took a 2-1 lead in the Wales Conference finals Friday night.

With the Canadiens leading 1-0 on Guy Carbonneau's goal late in the first period, Corson was left alone during a power play and steered Eric Desjardins' centering pass into an empty net at 3:14.

Gainey, the Canadiens' captain, scored his first goal of the playoffs at 6:11, breaking behind the defense and flipping Chris Chelios' pass from the right boards over goaltender Ken Wreggert for a 3-0 lead.

Game 4 was set for Sunday night in Philadelphia.

Patrick Roy, who blanked the Flyers in Game 2, lost his bid for a second straight shutout at 6:56 of the final period on a goal by Brian Propp, who returned after suffering a concussion when he was elbowed into the boards by Chelios in Game 1. The goal was Propp's 13th of the playoffs.

## Chesnokov Wins And Says He'll Keep the Check

The Associated Press

**MUNICH** — Andrei Chesnokov of the Soviet Union came from behind to defeat Martin Strelba, 5-7, 7-6, 6-2, and win the Bavarian Open tennis tournament Sunday.

Chesnokov, who won at Nice two weeks ago, took two hours and 43 minutes to defeat Strelba of Czechoslovakia, who had upset the top-seeded Stefan Edberg on Saturday.

"I am keeping the check," Chesnokov said after receiving the \$31,500 first prize.

Chesnokov had said during the Nice tournament that he wanted to keep his prize money and not send it to the Soviet sports committee as mandated by his country's regulations. He made similar statements during the Munich tournament.

## VANTAGE POINT/George Vecsey



Waiting for the 115th running of the derby became a struggle against cold, wet weather.

## A Survivor Through the Hail

New York Times Service

**LOUISVILLE, Kentucky** — When the hail started pinging down on the expensive chapeaux at Churchill Downs, and the temperature got stuck at 44, and the race was delayed for nine minutes because Triple Buck needed a new shoe, this was not your normal first Saturday in May.

But even the cavalry charge of 15 starters was small potatoes for Sunday Silence, or small outs, as the case may be.

Sunday Silence had been in worse fires than having 1,000-plus-pound competitors closing in on him from all angles. Sunday Silence, twice unsold, had once rolled over inside a van on a Texas highway, after the driver suddenly died of a heart attack.

Compared to all that, this was a romp in the country, even if the romp took 2:05 to complete. By beating the odds-on favorite, Easy Goer, Sunday Silence demonstrated why they go ahead and run these races.

By winning, Sunday Silence brought together four rather disparate gents: a wealthy man once passed over to run the family horse farm, a surgeon who left his native Louisville only to return with a Derby winner, a 76-year-old trainer who had once avoided the Derby for 26 years and a jockey with a history of drug problems.

Quite a quartet this was, assembled in the giddy aftermath of a muddy and bizarre Derby: Arthur Hancock of Paris, Kentucky, who raised the horse and tried to unload him twice; Dr. Robert Gaillard of San Diego, who bought a share of the horse when nobody else wanted him; Charlie Whittingham, the trainer from California who has a share of Sunday Silence; and Pat Valenzuela, the jockey who later felt compelled to tell a television audience, "Say no to drugs all over America and all over the world."

Sunday Silence held them all together for long and joyous minutes after the race. This horse held off the weather, the delay and the challenges from one ancient Triple Crown champion and a squad of so-called muckrakers accused of being entered only for the heck of it.

The muckraker factor may still be brought up by D. Wayne Lukas, whose well-regarded Houston finished eighth, and whose afterthought, Sky Tom, finished 10th.

But the only scent of muckraker came from Northern Wolf moving in on Easy Goer out of the gate, and nobody seemed to make much of it. Easy Goer had plenty of time to get over it, and couldn't quite.

The delay factor was the same for all. It does seem a bit strange to delay the most famous horse race in the world for nine minutes so one of the competitors can head back to the shop for repairs.

Golfers who break their putters have to use another club. Olympic boxers who miss the bus are disqualified. Football teams that cannot get on the field on time are penalized 5 yards for delay of game.

But for a \$20,600 entry fee, the entire world will wait on a shoemaker to affix a new shoe while soldiers stand at parade rest, bettors fret, television officials go crazy, and jockeys dismount to give their horses a break.

## Sunday Silence by 2 1/2

New York Times Service

**LOUISVILLE, Kentucky** — Sunday Silence weaved through the stretch to a 2 1/2-length victory over Easy Goer in the Kentucky Derby Saturday.

An inspiring finisher, a head behind Easy Goer and three-quarters of a length in front of Danzil, Sunday Silence, who paid \$8.20 for \$2 to win as the second favorite, ran the mile and a quarter under Pat Valenzuela in 2:05, a very slow time even considering a slightly dull track that was officially labeled "muddy" though it was virtually dry.

Easy Goer left the impression that he failed to fire his best shot.

Sunday Silence is 4 for 4 as a 3-year-old. He goes now to the Preakness Stakes at Pimlico in Baltimore May 20, where Easy Goer is expected to challenge him again. The third leg of the Triple Crown is the Belmont Stakes at Belmont Park on Long Island on June 10.

"I was worried the crowd would get to my horse, the way they were screaming," Valenzuela said later.

Sunday Silence was not about to panic just from hanging around in the go for nine more minutes. He has had worse moments in his life. What about the two sales in Kentucky and California when Hancock bought him back because nobody else wanted him?

And what about two weeks in an Oklahoma animal hospital after the van tumbled over? By surviving, the horse gave four men the chance to say, "I told you so."

Hancock, once passed over for his younger brother, Seth, to run Claiborne Farm, has now won two derbies, the first with Gato del Sol in 1982. He did not talk of vindication on Saturday. He just said, "There is nothing like winning the Kentucky Derby for a Kentuckian."

Gaillard recalled telling old friends at New Year's that they might just see him back in Louisville in the spring, after watching Sunday Silence win once and place twice last fall.

Whittingham has long made up for having nothing to do with the Derby for 26 years. He had two full finishes in 1958 and 1960 and said he wasn't coming back until he had true contenders. He came back in 1986 and won with Ferdinand. He said Saturday, "I'd like to keep this up for another decade."

And Valenzuela, the jockey, allowed as how he couldn't have done it without "these three gentlemen." Whittingham had berated him for going to the whip early as Sunday Silence won the Santa Anita.

As Whittingham put it, Sunday Silence "is the only horse who can win the Triple Crown this year." The trainer was also heard to say, "We'll be another Triple Crown winner." They'll run the other two races anyway.

## Senna Peerless At Monte Carlo

### But Rival Sets Lap Record

The Associated Press

**MONTE CARLO** — Ayrton Senna of Brazil, the world Formula One champion, led from start to finish Sunday to capture the Monaco Grand Prix. It was the second time he had won the race.

Senna was timed in 1 hour, 53 minutes, 33.251 seconds, 52.5 seconds ahead of Alain Prost of France, both in McLaren-Hondas. The race was shortened to 77 laps because of a restart.

Prost, however, set a lap record of 1:25.501 during the race. The previous record of 1:26.321 was set by Senna last year.

Stefano Modena of Italy in a Brabham-Judd was third, more than a lap behind Senna. (See Scoreboard)

It was Senna's 16th career grand prix victory. He and Prost are now tied for first in the drivers' standings this year with 18 points each.

Senna won the San Marino Grand Prix two weeks ago.

Senna had the pole position and got the jump on Prost right at the start. Prost stayed close for the first 20 laps until the McLaren pair began lapping cars, then traffic slowed Prost down, allowing Senna to get away.



Ayrton Senna

An accident on the 35th lap between Brazil's Nelson Piquet and Andrea DeCesaris of Italy caused the distance between Senna and Prost to widen to 36 seconds. Prost had to go around them gingerly on the tight Loews' curve as Senna sped away.

Senna often daringly passed cars while Prost played it safe.

However, the Frenchman was able to get free and post two laps of under 1:26 on the 3.328-kilometer (2.068-mile) course through the streets of Monte Carlo.

## SIDELINES

### UCLA Champion in U.S. Volleyball

**LOS ANGELES (AP)** — UCLA won its 13th national volleyball championship, defeating Stanford, 15-1, 15-13, 4-15, 15-12, in the final of the National Collegiate Athletic Association Volleyball Tournament.

The top-ranked Bruins were led by Matt Whitaker, who had 16 kills, and Trevor Schirmer, who had 15 kills. The Bruins needed just a little less than two hours to defeat the second-ranked Cardinals, playing in an NCAA volleyball tournament for the first time.

### Williams Wins in Platform Diving

**INDIANAPOLIS (AP)** — Wendy Lian Williams, the Olympic bronze medalist, upset Xu Yumei, the Olympic champion, to win the women's platform event in the FINA World Diving Cup.

Williams of the United States, scored 257.91 points Saturday for four dives. Chen Xiaodan of China, was second at 251.01, and Xu, also of China, was third with 245.07.

Tan Liangde of China outlasted Kent Ferguson of the United States in the men's three-meter springboard. Tan finished with 430.38 points for six dives to Ferguson's 425.85, and Aalhin Kilat of West Germany took third with 391.58.

### Spaniard Takes Wind Surfing Event

**OMAEZAKI, Japan (AP)** — Bjorn Dunkerbeck of Spain, the men's World Cup champion in 1988, won the title Sunday and Nathalie Le Lievre of France, the women's 1988 champion, captured the women's event in a wind surfing competition.

A wave competition was canceled Sunday for lack of wind. The titles were decided on the basis of one slalom and five course races.

### Soviet Leads in U.S. Cycling Race

**NEW PALTZ, New York (AP)** — Viatcheslav Etkimov of the Soviet Union won the 110-mile (180-kilometer) first stage of the 10-day Tour de Trump bicycle race in 4 hours, 35 minutes and 18 seconds.

The pre-race favorite, Greg LeMond of the United States, finished 41 seconds behind Etkimov in Saturday's race. Etkimov is in first place overall, with Gert-Jan Theunisse of the Netherlands in second.

### For the Record

Larry Myrick jumped 28 feet, 4 inch (8.54 meters) in the long jump at a track and field meet in Modesto, California, on Saturday, the best leap this year. Bob Beamon holds the record of 29 feet, 2 1/2 inches. (AP)

Desiree Grese, the Washington Redskins cornerback, won his third National Football League's Fastest Man title in the event's four-year history. He won the 60-yard dash Saturday at Palm Desert, California, in 6.14 seconds, defeating Anthony Miller of the San Diego Chargers. (AP)

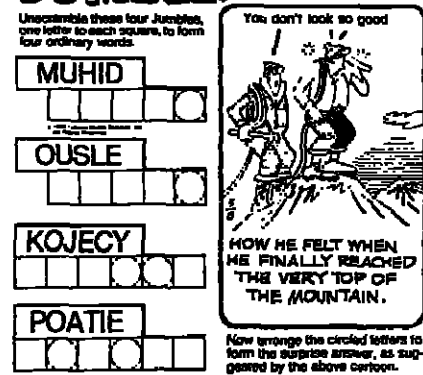
Alex Karolchinsky edged compatriot Valentin Mogilyov of the Soviet Union to win the men's all-around title Saturday in the European Gymnastics Championships in Stockholm. (AP)

## DENNIS THE MENACE



"MY HEART'S GOIN' KINDA SLOW NOW, BUT IF YOU WANT ME TO, I CAN REV IT UP!"

## JUMBLE



Print answer here: \_\_\_\_\_

Answers: GADGE, BELIE, BORIE, DARTY

Answers: When the price of eggs oscillated, the one known as this—RAISED "CANE"

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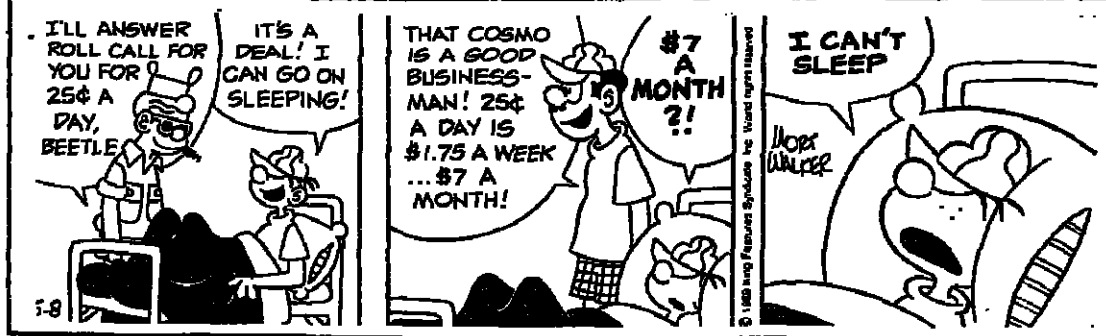


"They always win," he said. "I hate to play Devil's Advocate!"

## BLONDIE



## BEETLE BAILEY



## DOONESBURY



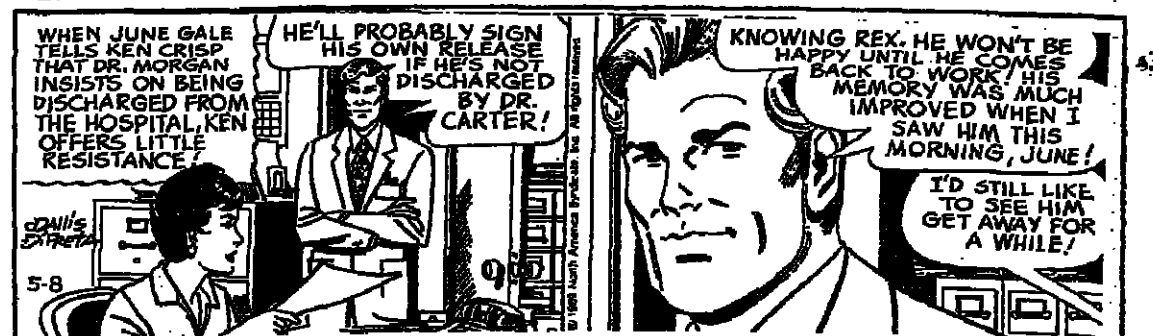
## ANDY CAPP



## WIZARD of ID



## REX MORGAN



## GARFIELD





# Peerless Indians Defeat Twins, 5-4, On Clark's Pinch Home Run

The Associated Press  
Dave Clark hit a pinch home run leading off the bottom of the ninth inning to give the Cleveland Indians a 5-4 victory over the Minnesota Twins Sunday in the first game of an American League doubleheader in Cleveland.

The Twins, who rallied for three runs in the ninth, have lost 12 of their last 14 games.

**SUNDAY BASEBALL**  
Twins Sunday in the first game of an American League doubleheader in Cleveland.

The Twins, who rallied for three runs in the ninth, have lost 12 of their last 14 games.

**Morris Hurls a Victory**  
Jack Morris, the winning pitcher of the 1980s, finally won after losing his first six starts of the season, leading the Detroit Tigers past the Oakland Athletics, 6-3.

Morris' start was the worst for a Detroit pitcher since Ted Gray lost his first nine of the 1993 season. In Saturday's game in Detroit, Morris allowed eight hits, struck out two and walked one in 6 1/2 innings.

Pat Sheridan and Lou Whitaker homered for Detroit, and Guillermo Hernandez got the last three outs for his sixth save in six opportunities.

Red Sox 7, Rangers 6: In Boston, Mike Smithson, starting for the first time this season, allowed six singles in seven shutout innings and Jim Rice drove in three runs in the defeat of Texas. Wade Boggs, who sat out Friday's game with tendinitis in his left foot, had a single, a double and a triple, scored three runs and drove in one.

Angels 5, Blue Jays 4: In Toronto, Johnny Ray hit a go-ahead single as California rallied for two runs in the ninth. The Angels had led 3-0 before Toronto went ahead with four runs in the eighth.

Brewers 1, Royals 0: In Milwaukee, Jim Gantner singled home Billy Spier from second base with two outs in the 10th on a snowy afternoon, giving Bill Krueger his first major-league victory since 1986, a shutout of Kansas City.

Mariners 2, Orioles 1: In Baltimore, Edgar Martinez had three hits, including his first major-league home run, as Seattle defeated the previously unbeaten Jeff Ballard for its first doubleheader sweep since May 25, 1981.

In the opener, Mark Langston allowed four hits and an unearned run in seven innings.

Yankees 5, White Sox 2: In Chicago, Rickey Henderson hit a three-run homer in the ninth, lifting New York to victory.

Mets 2, Astros 1: In the National League, in New York, Howard Johnson's two-run homer helped David Cone to victory in a pitcher's duel with Houston's Jim Canary.

Giants 9, Cardinals 4: In San Francisco, Rick Renschel pitched six shutout innings for his 19th career victory and Mike LaCoss finished with three scoreless innings, as the Giants crushed St. Louis. Renschel had allowed just one earned run in 22 innings.

Reds 7, Phillies 4: In Cincinnati, Todd Benzenie hit a go-ahead single in the fifth and Paul O'Neill and Ron Oester drove in two runs each as the Reds rallied past Philadelphia. Joe Youngblood had four hits for Cincinnati.

Braves 13, Expos 3: In Atlanta, Andres Thomas drove in five runs, Jody Davis drove in four and Lonnie Smith and Ron Gant each homered as Atlanta unleashed a 19-hit attack against Montreal.

Dodgers 3, Cubs 0: In Los Angeles, Mike Morgan allowed four hits in six scoreless innings and lowered his ERA to a major-league-leading 0.69 as the Dodgers cooled off Montreal's Andre Dawson.

Padres 4, Pirates 2: In San Diego, Mark Parent drove in all four runs with a sacrifice fly and a three-run homer. Bruce Hurst held Pittsburgh hitless until one-out doubles by Barry Bonds and Jose Lind in the sixth inning tied the score at 1-1.

Phillies 5, Reds 0: In Cincinnati, Alex Madrid allowed five singles in six innings as Philadelphia defeated the hobbled Reds. Gordon Dillard got the final out in the seventh, and Steve Bedrosian allowed three hits to complete the combined eight-hit shutout.

Madrid was making only his third major-league start and 10th appearance. He struck out five, one more than his previous career total with Milwaukee and Philadelphia. He had never fanned more than one batter in a major-league game.

And Diaz, Reed (5), W-Whitaker, 4-3, L-McWilliams, 1-2, SV-Francis (10).



Kevin Johnson, guard for the Suns, drives past the Warriors' Steve Alford in the first game of the NBA second-round playoff series.

## From Sorrow, Liverpool Rises and Wins

By Rob Hughes  
International Herald Tribune

**MANCHESTER** — Three weeks and a day after 95 of its fans were crushed to death, Liverpool on Sunday replayed and won the fateful English FA Cup semifinal against Nottingham Forest.

There can be no consolation for death at a sporting event. But at least one bereaved mother had asked the players to go on, to live in style, because Liverpool was her son's life; that was why he was at Hillsborough Stadium in Sheffield, where the crush occurred.

Liverpool delivered. At a neutral venue in Manchester, the team overwhelmed Nottingham to win 3-1.

In sweetening the match was stained in sweat and soaked in sentiment.

"We played mostly out of respect for the people who died at Hillsborough," said Liverpool's manager, Kenny Dalglish, after he had run around the field to salute the fans.

"They've turned up in their thousands again for us today. They've supported us, and for these three weeks we've tried to support them. We wanted to win a little more than Forest did."

The outcome was the most emotional sporting event in England since 1958 when Manchester United returned to cup action after its team had been decimated in an air crash at Munich.

aggression too strong, its passing too quick for Forest.

In attack, Barnes was bewitching. And Aldridge, the man who said three weeks ago that "the life has gone out of me, I don't know if I ever want to play or to score again," was, in the sporting sense, dead.

He rose again after 35 minutes and struck the crossbar. He rose a third time after 58 minutes to score a second goal.

And the match was over when Nottingham defender Brian Laws, hounded by Barnes once more, deflected the ball into his own net.

Afterwards, the Jamaican-born Barnes gave notice that his intention to go abroad, possibly to Italy's Juventus, cannot now be.

"I always believed that no matter what I'd put football first," he said.

But I've learned that such an ideal is simply not possible. I am still committed to the game. My job. I love to play football.

But it's been brought home to me in such an awful way that we have taken these supporters too much for granted. At Hillsborough, people died supporting us. I have never known such unity and I feel very much a part of Liverpool.

Aldridge was always that. A latecomer to soccer, he worked in a Liverpool factory as a tool maker.

Now, as well as the FA cup, Liverpool attempts to come from behind to win the league championship. Its backlog of matches means a schedule of seven games in 18 days, starting with a home league match on Wednesday against Nottingham Forest.

Win or lose, it travels to Wembley on May 20 to play against its city rival, Everton, the second time in history these two neighbors have contested the FA Cup Final.

The cost has been horrendous. But the love of soccer within Merseyside county will turn that day, however inappropriate it might seem, into a memorial.

John Barnes created it; John Aldridge scored it.

The goal came out of confusion when two Nottingham players, both ordered to keep Barnes quiet, collided going for the ball. It bounced to Barnes, whose shot was brilliantly saved by the goalkeeper Steve Sutton. But Aldridge instantly scored with a header.

Liverpool's movement was too fluid, its

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